INQUIRY

INTO THE

TAXATION

AND

COMMERCIAL POLICY

OF

GREAT BRITAIN;

WITH OBSERVATIONS ON THE PRINCIPLES OF CURRENCY,
AND OF EXCHANGEABLE VALUE.

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CONTENTS

CHAPTER I.

OF TAXATION.

CHAPTER II.

OF THE TAXATION OF GREAT BRITAIN.

CHAPTER III.

OF TAXES ON CONSUMPTION.

CHAPTER IV.

OF TAXES ON MANUFACTURED ARTICLES.

Taxes on British Spirits.

On Malt.

On Soap.

On Glass.

Page

CHAPTER VIII.

ON THE COLONIAL TRADE.

CHAPTER IX.

TARIFF OF GREAT BRITAIN.

CHAPTER X.

OF PROTECTING DUTIES ON THE PRODUCE OF LAND.

CHAPTER XIII.

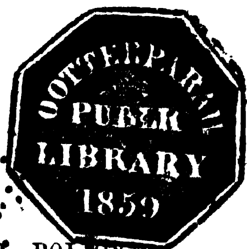
EFFECTS OF PAPER ON COMMERCE AND CREDIT.

CHAPTER XIV.

TRANSACTIONS OF THE BANK CONSIDERED IN REFERENCE TO ITS OWN SAFETY.

CHAPTER XV.

OF EXCHANGEABLE VALUE.



THE

TAXATION AND COMMERCIAL POLICY

OF

GREAT BRITAIN.

CHAPTER I.

OF TAXATION.

Maxims of Dr Smith.—Difficulty of reducing them to practice as Taxation is extended.—Taxes on Consumption.—Produce not always in proportion to the amount of the Tax.

DR SMITH, in treating of Taxation, lays down certain maxims, the evident justice and utility of which, he observes, have recommended them, more or less, to the attention of all nations. These are, 1st, That every tax should press equally on all ranks, in proportion to their means. 2d, That the amount of the tax which each individual is bound to pay, should be certain, and not arbitrary. 3d, That the tax ought to be paid at the time, and in the manner most convenient to the contributor. 4th, That every tax should take as little as possible out of the pockets of the people over and above what it brings into the public treasury.

In the early progress of taxation, it is easy to comply with those just and reasonable rules. Where the revenue required is not to a great amount, it

may be readily obtained from a few light and productive taxes on consumable articles which occasion no serious hardship, and being gradually confounded with the price are paid by the consumer without any complaint. But when the increasing demands of the State encroach, not only on the luxuries, but on the comforts and conveniencies of life, an adherence to the abstract rules of Dr Smith is not so easy a task. The effect of taxes is to diminish consumption; and hence they may be increased without any proportional increase of revenue: thus verifying the saying of Dr Swift, that two and two do not always make four in the arithmetic of the Customs. Taxes on consumption may be at length carried to such an excess as to be wholly unproductive; and in these circumstances, the financier has recourse to direct taxation, by which economy is compelled to surrender its hoards, and a revenue is extorted where indirect taxation fails. But this resource has its limits; the income of individuals is only available to a certain amount for the service of the State; and when direct taxation is carried to excess, and encroaches on capital, its produce will gradually decline. Arrears will accumulate, which threats and violence will be in vain employed to recover; great distress will be occasioned by those extortions: the produce of the taxes will nevertheless fall off; and a public bankruptcy will then ensue, when all the means are exhausted by which a revenue can be extorted from the impoverished people. In the course of this continued drain on the resources of industry, all the maxims

of Dr Smith will be set at nought; and the only rule will then be

> "Rem, si possis, recte; si non quo cumque modo rem."

Expensive establishments for the collection of the taxes, the increase of smuggling, a host of revenue-officers for its suppression, and a vexatious interference with all the most important branches of industry, are the great inconveniencies that follow the increase of indirect taxation: and here the rules of Dr Smith are again violated; those heavy taxes always taking a larger sum out of the pockets of the people than they bring into the public treasury. It is, however, the peculiar advantage of indirect taxes, that they are paid in small sums in a manner the most easy and convenient to the contributor. Hence, they do not grind down or oppress those who pay them. No man's goods can be brought to the street, and sold for their payment; a decrease in the consumption of the taxed article, and consequently of the revenue, being the only effect in this case of over-taxation. The heavy taxes imposed in this country on many articles, such as tea and sugar for example, to the amount of about 100 per cent., are collected with little or no inconvenience; and the reason is, that they are paid piecemeal, as the articles are wanted, and are not accumulated into any inconvenient sum. But direct and compulsory taxes, while they cannot be evaded, however severe, are not collected in small sums to suit the convenience of the contributor, but are generally allowed to increase into an annual demand. This was one among the many

evils of the Property tax imposed in this country in 1798, in aid of the prodigal expenditure of the first French war; and afterwards renewed in the war which followed. It was a severe and compulsory tax; collected not like the taxes on consumable articles, in detail, but only once in the year, when it amounted to a large sum, which pressed heavily on the small trader, and frequently placed him at the mercy of the tax-gatherer, who might proceed, for the discharge of the debt, with the arrest and public sale of his goods and chattels. In like manner, the House and Window duties are more objectionable than if they were laid on consumable articles. All direct taxes, except where they are extremely moderate, occasion greater anxiety and distress than can possibly be occasioned by indirect duties on consumption.

CHAPTER II.

OF THE TAXATION OF GREAT BRITAIN.

No other country so heavily taxed.—Large annual produce of the taxes.—An indication of vast wealth.—Increasing produce of the existing duties.—Estimated amount of their spontaneous increase if no addition had been made since 1793.—Increase of taxes encroaches on the freedom of the subject.

No other country, perhaps, was ever so heavily taxed as Great Britain. Before the war which commenced with France in 1793, the public revenue amounted to £14,284,000: in the course of that long

war, the sum raised by taxation rose to between £60,000,000 and £70,000,000 a-year. In 1813, it was £66,041,307; a prodigious sum to be raised in one year from the land and labour of a single nation. Europeans have often been amused with romantic stories of Indian wealth, and of the vast sums carried off from those countries by successful invaders. But all the fairy tales of Eastern treasure are here outdone by the reality. No conqueror revelling in spoil, ever obtained half such an amount of wealth from wasted cities, as has been raised in this country, in a single year, by the legal process of equal contribution. The plunder of Delhi by Nadir Shah, when he ransacked the Mogul treasury, containing the accumulated spoil of ages, and carried off gold and jewels to an immense amount, was never supposed greatly to exceed £30,000,000 sterling, which is not half of what has been raised in this country in a single year; and falls far short of its ordinary revenue for the last thirty or forty years. And this astonishing proof of the wealth and almost boundless resources of an industrious and commercial country, rests not on the fanciful tales of credulous travellers, but on the plain, unadorned evidence of figures in parliamentary tables; while the marvel still is, that the nation actually advanced in prosperity during this expensive war, and under a load of taxes that would have overwhelmed any other European State. Such are the wonders of finance, of commerce, and of capital; and, still more, of science and intelligence guiding the powers of productive industry. The parliamentary accounts attest the increasing produce

of the existing taxes, while every year was adding to the burdens of the country. The same tax, from the increase of consumption, still yielded a greater produce. Thus, a tax of one penny on the pound of candles, yielded, in 1793, £213,000; and in 1831, the year before it was repealed, £497,770: in 1800 it yielded £238,435: in 1816, £305,694; though, during the interval, additional duties had been laid on almost all the great articles of consumption: on tea, 60 per cent.; on sugar, 30 per cent.; on malt, 40 per cent.; on wine 30 per cent.; on beer, 25 per cent.; and though the Stamp duties, and the duties on houses, windows, carriages, horses, servants, &c., had been greatly increased; and the produce of the most severe impost ever laid on the country, namely, the Property tax, had been raised to £15,000,000 a-year. The tax of 2¼d. on the pound of soap, yielded, in 1793, £384,808; and in 1815, the year before it was raised to threepence, £676,095. The addition of three farthings to the duty, which raised it to threepence, was about 33 per cent. on the price; while the produce of the tax had gradually increased in 1832, the year before it was reduced to 1½d., to £1,186,219; which was about 66 per cent. The same duty on paper, which produced, in 1804, £324,588, had increased, in 1816, to £415,017; and in 1835, the year before it was reduced from 3d. to 1½d. per pound, to £796,146. This remarkable increase in the produce of the existing taxes is an undoubted proof of an advancing country. The revenue of the State is merely a branch of the great revenue of the nation; it is an offset from this main stream: and hence an increase in the

produce, not of one, but of all the taxes, is an infallible index to the national prosperity.

Of all the taxes which existed prior to the year 1793, that on candles is the only one which, during the whole course of the war, was continued at the same rate of 1d. on the pound until it was abolished in 1832. Hence its increasing produce may be taken as a measure, however imperfect, of the spontaneous increase and probable amount of the revenue of this country, if no addition had been made to the taxation of 1793. The tax on candles produced, as already stated, £213,000 in 1793; and in 1831, the year before it was repealed, £497,770: and this increase in its net produce took place while, as has been already stated, great additions were made every year to all the other taxes. If no additional burdens had restrained the progress of the country, the duty of 1d. on this article would probably have increased from £213,000, its produce in 1793, not to £497,000, but to £600,000 or £700,000, *i. e.* to triple its original amount; and the other taxes improving at the same rate, as may be naturally inferred, the revenue of 1793 would, in the course of the succeeding thirty years, have increased spontaneously to £42,752,000 or even to £50,000,000; and, if the war with France had been avoided, would, without any addition to the national burdens, have afforded ample funds for the liquidation of the public debt, and for every munificent scheme of domestic improvement. But it was found wholly inadequate to the unprecedented expenses of the contest in which the country was involved in 1793, to provide for which, not only

was it necessary to raise enormous sums, but to raise them within a given time. There was no leisure to cast about for the most eligible modes of obtaining money; recourse was necessarily had to the most productive. Every successive year new taxes were required to meet the charge for interest on the vast sums that were borrowed and spent. The financial fruit was, in the meantime, slowly ripening; but the pressing exigencies of the State could brook no delay, and artificial methods were consequently resorted to, in order to force it prematurely forward.[1]

Owing to the enormous expenditure of Great Britain, more especially during the latter years of the French war, every expedient was devised by which money could be raised, whether directly or indirectly. The taxes on all consumable articles were augmented to the utmost; every transfer of property, and all mercantile transactions, were heavily taxed; the direct contributions on houses and property were largely increased, and levied with a rigour unknown in former times; and every place was laid open to the

[1] The following is an account of the estimated charge created by the war, and of the produce of the new taxes that were imposed from 1794 to 1802 inclusive:—

Year.	Charge.	Produce of the Taxes imposed.
1794	£773,324	£1,207,349
1795	1,227,415	1,536,147
1796	1,850,373	1,456,254
1797	3,241,318	2,967,629
1798	585,941	1,677,945
1799	333,682	103,128
1800	317,532	805,062
1801	1,812,817	1,833,627
1802	3,163,161	4,677,237

domiciliary visits of the Revenue officers, who forced their obnoxious way, not only into manufactories and warehouses, but into every corner and recess of the very citadel of liberty—an Englishman's dwelling-house; no longer his castle, as in bygone times he could proudly declare it to be. Sir Robert Walpole's well-known scheme of bonded warehouses, brought forward in 1733, which imposed no additional burden, while it gave facilities to trade and to the collection of the revenue, and was afterwards carried with advantage far more extensively into effect, was violently opposed as an inroad on the rights of Englishmen for the sake of revenue; and the indignation of the people being fairly aroused, it was assailed by petitions and angry remonstrances from all quarters, until it was finally withdrawn. But the expenses of the nation being greatly increased by the French and Spanish wars, rashly begun (as the wars of Great Britain have generally been) in 1739 and 1750, and by large advances to the continental powers, an increase of revenue was urgently required; and the Finance minister watching his opportunity, forced at length, on the patient people, a real and a far heavier yoke than the imaginary grievance which they had so indignantly spurned some thirty years before. In 1763 the Excise survey was extended to a variety of different articles, on which taxes were imposed or increased in amount; and during the succeeding war with the American colonies, (still more rashly begun than even the wars with France and Spain,) the same system was enforced with additional rigour. As the amount of the taxes, and the temptation to

evade them increased, other restraints were devised. Every fresh impost gave rise to some new severity: pains and penalties were multiplied; and in the course of the last French war, when, in order to provide for the increasing expenditure of the country, heavy additional taxes were imposed, such as the Property tax, which levied a proportion from all incomes above £60, and a tenth on £150 a-year and upwards, the Revenue code was at length perfected in all its harsh details; and the British people, who so indignantly repelled the imaginary inroad on their liberties by Sir R. Walpole, now patiently submitted to the fetters of the Excise in almost every branch of industry; to the domiciliary visits of the revenue officers; and, finally, to the inquisitorial machinery of the Property tax.

Heavy taxation seems, in this manner, to be the portion of Great Britain: it is the necessary consequence of the wars in which the country has been involved. A moderate revenue may be raised without transgressing the known rules of taxation; but when the demands of the State rise to forty, fifty, or sixty millions a-year, heavy taxes must be resorted to; and they must be levied by means arbitrary and severe. There is no easy process by which such vast sums can be raised; no royal road to so large a revenue. With the progress of taxation, financial difficulties increase. It is found that taxes which are rejected in an early stage of taxation, must afterwards be patiently submitted to, as well as stricter modes of assessment; and it is vain to complain. These evils arise out of the growing

necessities of the State. The expenses of the previous wars in which the country has been involved, have been accumulated into its present heavy load of debt; the annual interest on which imposes the necessity of raising a large revenue for its payment; and while this necessity continues, it is vain to expect any relief from heavy taxation, or from any of the evils which follow in its train.

CHAPTER III.

OF TAXES ON CONSUMPTION.

Amount of taxation to be regulated by the amount of the article taxed.—Distinction between articles that may be heavily or lightly taxed.—Taxes on Salt, on Pepper, on Tobacco, on Sugar, on Tea, on Coffee, on Wine, on Cotton-wool, on Sheep's-wool.

IN imposing taxes on consumption, the great problem is to find out the precise amount of duty which, on each article, will yield the largest revenue. This will depend, in a good degree, on the nature of the article on which the tax is imposed. There are certain commodities which are in use among all classes, which are yet supplied at a very small cost; and which may, on this account, be heavily taxed without occasioning any great falling off in the consumption, or any great hardship to the consumer. Thus, if we suppose one shilling a-year to be expended on the use of any article, a tax of ten times its amount would only

impose an additional expense of ten shillings on the consumer; while, on an article on which he expended £5 or £10 a-year, a tax of the same amount would annually take out of his pocket £50 or £100. In the one case it would be a productive tax; in the other, it would annihilate both consumption and revenue. To the first class belong such articles as salt, pepper, spiceries, tobacco, drugs, and numerous others, which it is unnecessary to specify. The expense laid out on these is so inconsiderable, that the consumption is comparatively little affected by a rise or fall of price; less than that of other articles on which a greater expense is laid out. No one, for example, would consume any greater quantity of salt than he required, because of its cheapness,—the consumption being limited by the nature of the article; and, on the other hand, the necessary supply of salt costs so little, that the tax to which it was subjected of 15s. per bushel, equal to about thirty or forty times its original cost, imposed on it during the last war, was not oppressive, nor did it restrict the use of it except among the poorest classes, or where it was used for the cure of provisions as an article of trade. In place of the whole, it was proposed to repeal only two-thirds of this tax, on the notion that the low duty would, from the increase of consumption, still yield the same revenue as before; as if the greater cheapness of such an article could cause any one to use three times the quantity of it. In like manner the consumption of pepper, of spices, or of drugs, is comparatively little affected by the price. The inconsiderable expense laid out on those articles renders their cost of so little

consequence, that a heavy tax, though it raise the price, has comparatively little effect in lessening the consumption. The case is very different with such articles as beer, wine, spirits, or tea, which add largely to domestic expense, and of which the consumption is sensibly affected by every rise of price. A rise or fall of price that would have very little effect on the consumption of salt or pepper, would seriously affect that of wine, of beer, of spirits, or of tea: and hence they are not the proper subjects of heavy taxation. These articles have, accordingly, in Great Britain, been more lightly taxed; the heaviest taxes having been imposed on the former class of articles.

The tax on salt, of 15s. per bushel, exceeding so greatly the cost of the article, was, however, still productive, and yielded £1,500,000 a-year; though a tax to anything like so large an amount on any of the great articles of consumption, such as tea, sugar, wine, or spirits, would at once have put an end to both consumption and revenue. If the duty on salt had only been one-half, it could not have been reasonably objected to. It would still, no doubt, have greatly exceeded the original cost; probably about twenty times. But a tax may not be immoderate on this account, and may not, consequently, restrict the consumption. It will depend entirely on the nature of the article on which it is imposed, whether a duty of 500 per cent., or of 100 per cent., be the most oppressive. The repeal of the tax on salt was, however, beneficial to the fisheries; for though a drawback was allowed of the duty on all the salt used by the fish-curers, so many difficul-

ties were encountered in obtaining it, as almost to countervail the benefit. Its repeal has also favoured the rise of important manufactures, of which it is the basis: so that, however urgent the demand for revenue may be, it appears to be acknowledged on all hands, that its revival would be highly impolitic and injurious.

The tax on pepper, which was raised, in 1819, to 2s. 6d., was equal to 500 per cent. on the original cost. So heavy a tax would not have been productive, except on an article which could be freely used at little expense. The consumption of pepper, however, increased under this heavy duty from £141,061, its amount in 1820, the year after it was imposed, to £166,706 in 1824: a clear proof that the article was not over-taxed; and that, owing to the small expense laid out upon it, the 500 per cent. duty was less oppressive than a duty of 100 per cent. would have been on any of the great articles of consumption already enumerated. A tax cannot justly be reprobated as impolitic or enormous, merely because it exceeds the price of the article on which it is imposed, as it may, nevertheless, be light and easy to the consumer, as well as productive to the Treasury. A tax of 100 per cent. on tea, would cost a family as many pounds as a tax of 500 per cent. on pepper would cost shillings. Of the two, therefore, it is the lesser duty which is exorbitant, and which imposes the greatest hardship on the consumer. When the tax on pepper was reduced to 6d., on the notion that a lower duty, by increasing the consumption, would still yield the same revenue, its produce de-

clined to £59,963, and to £66,469 in 1842. The duty on tobacco, of 3s. in the pound, at which it was fixed in 1825, amounts to about 900 per cent. on the prime cost; and the consumption had increased in 1837 from 14,510,555 lbs., its amount in 1825, to 17,480,930 lbs.; yielding a net revenue of £2,655,169; and in 1842 of £2,724,997. So heavy a tax on many other articles would be entirely unproductive; yet it yields a large revenue on tobacco: and the reason is, that a taste for this luxury can be gratified at a small expense; and the duty, though exorbitant, imposes a trifling hardship on the consumer, and has little effect in lessening the demand. The chief objection to the tax is the encouragement which it gives to smuggling.

Sugar, though it is used only as an accessary along with other things, is, however, a more expensive article of consumption; and has never, therefore, been so heavily taxed. The duty in 1826 was fixed at 26s. per cwt., and in 1830 was reduced to 24s.; which amounts to above 100 per cent. on the present average price. No article has, perhaps, been subject to greater fluctuations of price than sugar. For nearly twenty years prior to 1840, its average price did not exceed 30s. per cwt., while, for twenty years before, it was as high as 70s. and 80s., and sometimes, though rarely, at 90s. The price has, however, generally been on the decline; and its continued fall has always counteracted the tendency of the tax to check the consumption. Sugar, when the duty was 27s. and 24s. per cwt., was sold cheaper to the consumer than in 1793 when the duty was only 15s.

Yet its consumption has not kept pace with the increasing wealth and population of the country. In 1801, sugar was consumed to the amount of 2,773,795 cwts. by 10,942,646 inhabitants; in 1831 a greater number, namely, 16,537,398, consumed 3,421,597 cwts.; and in 1840 a still greater number, namely, 18,650,646, only consumed 3,594,832 cwts.; and, in 1841, 4,057,628 cwts.; which shows a decided falling off rather than an increase in the consumption: and the cause must be sought for, not in the heavy tax to which it has often been ascribed, but rather in the circumstance of its consumption depending on that of other articles, such as tea or coffee, in the preparation of which sugar is required: and the enormous duty which checks the demand for tea must also check the demand for this, its proper accessary, sugar. As it is not so much, therefore, on its own price that the consumption of sugar depends as on that of other articles with which it is used, no diminution of the tax would greatly increase the consumption, so long as the tax on tea, on the demand for which that of sugar so much depends, is allowed to remain so high. Sugar is, no doubt, used along with coffee as well as with tea; and the annual consumption of this article has increased to 25,000,000 lbs. But the annual consumption of tea amounts to between 30,000,000 and 40,000,000 lbs. In 1841, it amounted to 36,675,667; and as a much greater quantity of sugar is used to the pound of tea than to the pound of coffee—probably five times the amount—it is still on its consumption that the demand for sugar must chiefly depend.

Of all the British taxes on consumption, that on tea is perhaps the most objectionable: First, Because it is a great article of family expense, costly in its use, on which a light tax is more oppressive than a heavier tax on other articles. Second, The extensive use of tea conduces both to the health and morals of the people: it is the peculiar distinction of tea, that it refreshes without intoxicating. It is not a filthy luxury like tobacco. On the contrary, it is commended by the Roman historian, when he is enumerating its importation into Europe among the other advantages of the trade to the East, as affording "an elegant repast." In supplanting the use of beer and other beverages in the morning and afternoon meal, its introduction has aided in the improvement of domestic manners; and if its price were lower, it would rival even more effectually the use of ardent spirits, that fruitful source of moral debasement. In every view, therefore, this article ought to find especial favour with the rulers of the land, and to be lightly taxed. It has, however, been very heavily taxed in this country, at the rate of 100 per cent.; to which 20 per cent. has been added by the tax on sugar, and formerly other 20 per cent. by the monopoly of the East India Company. So heavy a tax was calculated to check the demand for so expensive an article; and accordingly its consumption does not appear, any more than that of sugar, to have kept pace with the wealth and population of the country. In 1803, when the duty was raised on the finer teas to 95 per cent., the consumption remained stationary for seventeen years

after, at between 20,000,000 and 21,000,000 lbs. In 1817 it amounted to 20,619,455 lbs.

When the monopoly of tea by the East India Company was abolished in 1834, the tax of 100 per cent. was repealed, and new duties were imposed: on Bohea a duty of 1s. 6d. per lb.; on Congo and the finer teas, 2s. 2d.; and on the finest, such as Souchong, Gunpowder, &c., 3s. The difficulty of classifying teas according to this new scale, gave rise, as was alleged, to frauds on the revenue by the importers of tea; and the discriminating duty was relinquished for a duty of 2s. 1d. per lb. on all teas. The great objection to this tax, as to all indiscriminate taxes, except they are extremely moderate, is, that it presses heavily where it ought to press lightly; and lightly where a heavier tax might be imposed. On the low-priced teas, such as bohea, it is equal to 150 or 200 per cent.; while on the finer teas it does not amount to above 50 or 75 per cent. The duty is regulated by the high-priced, when it should be regulated by the lower-priced teas. It is thus the reverse of being just and equal. By raising the price of the coarser teas, it lays the burden on the poorer or the middling classes, the chief consumers of those teas; while it presses more lightly on the rich, who use the finer teas, and on whom the burden ought chiefly to lie. Considering, besides, the nature of the article, the exorbitant duty is most objectionable; and it encroaches deeply on the comforts of the community. The tax on salt, on pepper, or on tobacco, though greatly exceeding the original cost, does not impose any great additional expense on the consumers, and does not

materially restrain the consumption. But a lighter tax on so expensive a luxury as tea is more heavily felt, and enforces economy in its use, though it conduces, more than any other article, to comfort as well as to morality. In every view it is an impolitic and an oppressive tax. The new duty of 2s. 1d. on the finer teas is, however, less in amount than the former *ad valorem* duty of 100 per cent.: and the price has been still farther reduced about 20 per cent. by the large importations of the free-trader. The consequence has been, a great increase in the consumption of tea, which amounted in the year 1841 to 36,675,667 lbs.; a clear proof that it is by the high price that it has been all along restrained.

Coffee, like tea, is an expensive article of consumption, which will not bear a heavy tax. Yet it has been heavily and very unequally taxed in this country. The duty has varied from 6d., its present amount, to 1s. 7d., and even 2s. per lb.; or from about 60 to 150, or 200 per cent. Though possessing all the valuable qualities of tea, those high imposts nearly interdicted its use in this country. Nothing more clearly exemplifies the bad effects of exorbitant duties. On an article in such great demand, and so expensive, the duty should never have exceeded 20 or 30 per cent.; and it appears from experience, that a higher duty will not yield a larger revenue. The tax was raised from 6d. to 10½d.; in 1796, it was raised to 1s. 5d.; and in 1804, to 1s. 7¾d. Under the pressure of those heavy duties, the consumption remained stationary,

while the population was increasing. It amounted, in 1789, to 930,141 lbs.; and in 1807, the year before the duty was reduced to 7d., it had only increased to 1,176,164 lbs. The moment this depressing load was taken off, the consumption bounded up as with an elastic spring, to 9,251,837 lbs., its amount in 1808. The duty was again raised to 1s. in 1819; but was finally reduced to 6d. in 1825, when the annual consumption rapidly increasing, amounted, in 1840, to 28,723,735 lbs.; and the duty of 6d. produced, in 1837, £675,120; and, in 1842, £740,053; a clear proof of the impolicy of the former duty of 1s. 7d., which only produced, in 1807, £161,245. The effect of the reduced duty on coffee, in increasing the consumption, was aided by a falling price; especially for about fifteen years after it took place, as well as by the prevailing taste of the community, which gave immediate effect to the lower duty. Tea and coffee possess nearly the same qualities, and appear equally acceptable to the public taste. The heavy duty, however, on coffee, and its high price, turned the scale in favour of tea, which accordingly had the monopoly of the market. The consumers would almost as soon have given different prices for the same qualities of tea, as a higher price for coffee By the reduction of the duty and the price, coffee was, for the first time, placed on an equality with tea in the British market; and the consequence was a sudden and extraordinary demand for this formerly forbidden article. The consumption of tea was also increasing at the same time; so that the falling price was diffusing a growing taste for both these luxuries:

which, with the lower duty on coffee, could be used indifferently,—the one at no greater expense than the other.

Wine is another foreign luxury which, from its rare and precious qualities, will always bring a high price. It is not, therefore, a fit subject for a heavy tax; and in any justly graduated scale of taxation, it would rank among the lowest class of taxed articles. Yet on this already too expensive article, taxes have been imposed which it would not bear, and which have been generally followed by a decrease both of consumption and of revenue. Wine has consequently been in this country the luxury of the rich: it has never been freely used by the middling classes. Heavy taxation has been compared by Dr Smith to the evil of a barren soil; and how forcible in this case is the comparison, where its effect has been to debar the inhabitants of this northern island from any fair participation in the finer produce of more genial climes. Mr Warre, in his excellent treatise on the wine trade, estimates the number of bottles daily used in Great Britain, for three years previous to July 1822, at only 61,275; a limited consumption certainly by fourteen millions of people. The consumption has, however, been restricted by the high price as well as by the heavy duties. In the case of tea, coffee, and sugar, the effect of the duty has been counteracted by a falling price; but wine still rose in price as fresh taxes were heaped upon it; and both the duty and the price have equally tended to check the consumption. In the year 1784, about £20 was the price of a pipe of

port wine of a hundred and thirty-eight gallons. It rose every subsequent year; and in 1794 its price was £32; in 1804, £46; in 1813 and 1814, £77 and £66; or, making allowance for the depreciated currency, £58 and £48, 10s. It was in 1820, when the currency was restored to its standard, £55, which was more than double its price in 1784. This great rise of price has been ascribed, not to any increase of demand, but to the monopoly of the Oporto Company. But the same, or even a greater rise of price, has taken place in the price of Spanish and other wines, not subject to any monopoly. The price of sherry rose from £25, its price in 1788, to £60 and £70 per butt of a hundred and thirty gallons in 1836; and the price of French and German wines, of which there has always been a free export, has risen in a like proportion. The cause of this rise must, therefore, have been the increased demand, owing to the rapid advances of wealth and improvement throughout the world since 1784. It is only when mankind acquire the means of purchasing these rare and expensive luxuries, that an effectual demand for them can arise; and when, as in the case of the finer wines, the produce of particular soils, they cannot be increased in proportion to the demand, the price will necessarily rise with the progress of population and of wealth.

A tax on wine was imposed at an early period in this country; more especially on French wines, which was dictated more by national animosity than by sound policy. The tax was increased in 1745 and 1763, and also during the American war, when

additional duties were imposed; of which, while the estimated produce was £242,844, the actual produce was only £6316. In 1784, the duty amounted, on French wines, to £96, 8s. 9d. per tun, or to 7s. 10d. per gallon; and on Portugal wine, to £49, 14s. 1d.; or about 4s, 6d. per gallon. The consumption was checked by this heavy duty; and in 1786 it was, by the wise advice of Mr Pitt, reduced to £50, 16s. 6d. per tun of 250 gallons; or to about 4s. ¼d. per gallon on French, and £32, 16s., or 2s. 6¾d. on Portugal and other wines. The effect of this judicious measure was an increase in the import of wine from 15,953 tuns, its average amount from 1784 to 1786, to 27,354 tuns, its average amount from 1788 to 1790 inclusive, and an increase of revenue also, from the low duty, of £88,556; the average produce of the duty for three years ending in 1786, being £625,454, and for the three years ending 1790, £714,010. In 1794, the consumption of wine had increased to 30,290 tuns. For the support of the French war in which the country was now engaged, an additional duty was imposed, in 1794, of £20 on Portugal wine, and £30 per tun on French wine. This additional duty does not seem to have checked the demand, since the consumption amounted, in 1795, to 33,297 tuns. A notion seems now to have been entertained, that this favourite luxury would bear almost any tax. An additional duty of £20 and £30 per tun was accordingly imposed on French and Portugal wines, the peculiar impolicy of which, as indeed, of almost every additional duty on wine, was, that it was added to a rising price, to the amount,

for the ten previous years, of about £50 per cent. By the combined effect of an increased duty and a rising price, the import of wine was reduced, on an average of the three following years, to 20,961 tuns;[1] that of French wine fell off from 870 to 215 tuns; and the consumption of all wines, from 6,927,121 gallons, its amount in 1794, to 3,970,961 in 1797. The demand for wine, notwithstanding the continued rise of price, began after a time to increase, and in 1803 amounted to 31,529 tuns, when the duty was again raised to 11s. 5½d. per gallon on French, and to 7s. 8d. on Portugal wines; though the price had in the meantime risen about 30 per cent. since the year 1796, when the last duty was imposed. This increase, both of price and duty, had the usual effect of decreasing the consumption, in 1804 and 1805, to 4,840,719 and 4,565,551 gallons; which is more than a million less than in 1789, notwithstanding the great increase of population and wealth during the intervening period. The consumption of wine began again to increase from the year 1805; and was again checked by the rise of price which took place about the year 1810; though there was no subsequent addition to the tax. The duty was reduced in 1828 to 7s. 3d. per imperial gallon on French, and to 4s. 10d. on Portugal wine; and was fixed, in 1831, at 5s. 6d. on all foreign wines, and at 2s. 8d. on Cape wines.

The rash imposition of the heavy duties of £30 and £20 on French and Portugal wines in the two succes-

[1] Warre's Account of the Wine Trade, p. 9.

sive years of 1795 and 1796, appears to have given a check to the consumption of wine in this country, from which it never afterwards recovered. The rise of price which followed, to the amount of between 30 and 40 per cent., continued still farther to check the demand; which never was to the same amount as before the imposition of these heavy taxes. The following is an account of the average consumption for periods of five years, from 1804, after the last duty was imposed, to 1825, when the duties were reduced:

	Gallons.
Average consumption of wine for five years, from 1804 to 1808 inclusive, . .	5,534,675
From 1809 to 1813, ...	5,665,799
From 1814 to 1818, ...	5,417,001
From 1819 to 1825 inclusive, six years,	5,231,905
Average produce of five years, from 1790 to 1794 inclusive, . .	7,166,593

The consumption of wine was increased by the reduction of the duties, and amounted, in 1841, to 6,184,960 imperial gallons, equal to about 7,477,000 gallons of the former measure; which, by 18,650,646 inhabitants, scarcely exceeds the consumption from 1790 to 1794, when the inhabitants hardly amounted to 10,000,000. The consumption of wine, therefore, appears to have decidedly decreased in this country; which can hardly be owing to the duties, not now exceeding on Portugal wines 25 or 30 per cent., and on French and German wines not being above 16 per cent. It is not so much the duty as the high price, which since the year 1794 has been more than doubled, which restricts the

consumption. The use of the higher-priced wines must always be confined to the richer classes, even though the duty were repealed; and Portugal wines, though cheaper, are still too expensive an article to be freely used by the middling classes, who are the chief consumers of this, as of all other articles, and whose demand it is that regulates the consumption. Wine is a favourite luxury; and the competition of the many, raising its price, confines it to the use of the few; for whose enjoyment it is, therefore, that, however lightly taxed, the finer wines will always be chiefly reserved.

Great Britain draws a revenue from various other foreign articles, imported either for the employment of her industry, or for the luxurious consumption of the rich. Fruits—such as currants, raisins, almonds, prunes, figs—were formerly subjected to heavy duties, which have been reduced, with an increase of consumption; but not to such an amount as to compensate, in all cases, the reduction of the tax. The duty on currants was formerly 44s. 6d. per cwt. This fruit, though it is used in the favourite dish of the English, is not an important article of family expense; and hence it will bear a duty which would be oppressive and injurious on some other articles, such as wine, or coffee, or spirits; and, accordingly, the consumption appears to have increased under the pressure of this heavy tax, of which the produce was, in 1829, £251,842, and in 1832, £314,325; while the revenue, from the reduced tax, was, in 1842, only £227,765. It does not appear, therefore, to belong to that class of articles on which, where a large

revenue is required, a heavy duty is altogether inexpedient. The duty has, however, been reduced on other fruits, as on raisins and figs, with a more favourable result both to trade and revenue. On the former, a reduction took place, in 1829, to 15s. and 7s. 6d. In 1828, the higher duty yielded £168,271. The produce of the lower duty was, in 1840, £138,202; in 1841, £189,703; and in 1842, £143,853. The duty on figs was reduced in 1832. The produce of the higher duty was £22,402; of the lower duty, in 1841, £22,703; and in 1842, £17,724. The duty on almonds was reduced in 1832, with a decrease of revenue, from £17,135 in 1831, to £8641 in 1841; on prunes, in 1834, with a decrease of revenue from £10,677, its amount in 1833, to £4880 in 1841; and in 1842, £2259: so that it is only in particular cases that the expectation of the same, or a greater duty can be expected from a lower tax. It may be sometimes, however, highly expedient to sacrifice a small amount of revenue for the benefit of commerce.

Great Britain, from her great progress in wealth and manufactures, requires continual supplies of rude produce from other countries where the materials of industry are not in such demand. The chief articles of this nature on which an import duty is paid, are cotton-wool, sheep's-wool, wood, iron, and the other metals, besides numerous others of less importance. The duties on wood and iron will be more properly considered along with the alterations made in the tariff of 1842, as well as other duties, mostly inconsiderable, on numerous articles of foreign produce.

The astonishing extent to which the cotton manufacture is carried, requires a vast supply of the raw material, which amounted, in 1840, to 592,488,010 lbs., and, in 1841, to 487,992,355 lbs.; on which the trifling duty of 2s. 11d. per cwt. yielded, in 1841, a revenue of £528,488. This duty on the raw material of so important a manufacture, has often been objected to. But its insignificant amount prevents it from being injurious; and in the present state of the finances, it is not likely that any minister will surrender revenue to such an amount. This trifling burden is more than counterbalanced by the use of improved machinery, which still enables the British manufacturer to command every market to which he has access.

The woollen manufacture requires also large importations of the raw material, which was obtained formerly from Spain, more lately from Germany and the British colonies in South Australia, as well as from India and South America. In order to protect the wool-growers in this country against foreign competition, a heavy duty was laid on the importation of foreign wool, which was deeply and justly complained of by the home manufacturer; and the remarkable impolicy of which is so forcibly exposed by Professor Low in his work on the Domestic Animals of the British Islands, that the whole passage is subjoined.

"Soon after the peace of 1814, alarm was raised amongst the British wool-growers lest the price of the raw material should be reduced below what they chose to term a remunerating price. The Govern-

ment of the day, in an evil hour, yielded to the influence exerted; and in the year 1819, heavy duties were imposed on foreign wool, with the design of keeping up the price of the native produce, under the specious pretext of encouraging British agriculture. In six years this monstrous law was repealed; but not until it had done all that the shortness of the time allowed for establishing the manufactures of foreign rivals, and giving them the ascendancy in the markets in Europe. But the price of short wool continuing to decline, renewed efforts were made by the wool-growers to induce the Legislature to restore the former restrictions. This, in 1828, led to a Parliamentary inquiry; when a mass of evidence was produced, proving, beyond all cavil, the danger and evil of interfering, through the medium of duties and fiscal regulations, with the raw material of a manufacture which could only be sustained by freedom of trade and production. It was proved, by the concurrent testimony of witnesses from all parts, that the cloth made from British wool alone could no longer find a market in Europe, and was even deemed too coarse for the clothing of the labouring classes at home; and that, without a free command of the wool of other countries, a great part of the woollen export trade of Great Britain would be for ever lost.

"It may well excite surprise that any class of men amongst us should have dared to demand that the manufacturers of the country should be prevented from procuring the materials of their manufacture where these should be obtained cheapest and best; nay, should not only be prevented from exercising

this natural and necessary right, but compelled to take from the wool-growers at home, and at a price enhanced by fiscal regulations, what was absolutely unsuited for the purposes of commerce. The disgraceful law of 1819 had already shown, that by refusing to take the wools of other countries, we depressed the price of the raw material abroad, and thus gave an indirect premium to the foreign manufacturer; and that, by forcing our manufacturers to employ wools of inferior quality and higher price, we directly unfitted them for competition in the general market of the world. It was of the repeal of the law of 1819 that the wool-growers thought fit to complain, as having produced the depreciation which had taken place in the price of the clothing wools; not perceiving that, in admitting the depreciation from this cause, they admitted, at the same time, the magnitude and injustice of a burden which had been so heavily taxing the manufacturing industry of our own country, and fostering that of others."

. . . . . . "It is known that, in these times, the great danger to the manufacturing prosperity of the country is the progress of other nations in those arts in which we have hitherto excelled, and that our relative superiority in such arts can only be maintained by our being enabled to supply the productions of them on the cheapest terms: and granting that the wool-growers could, by means of an ill-judged monopoly, have forced up for a time the price of the native wool, would they not thereby have abandoned a yet more safe and permanent means of effecting the end, namely, that which would

have resulted, from increasing the demand for the manufactured commodity? The injurious measure contended for was, however, happily resisted, never, it is to be trusted, to be brought forward again; and the trade of wool, by being thrown open to the world, has been placed on a far surer foundation than if it had been made to rest on the narrow and insecure basis of monopoly and restrictions."[1]

CHAPTER IV.

OF TAXES ON MANUFACTURED ARTICLES.

Effect of these taxes.—Injurious to the manufacturer; to the improvement of art and industry.—Chief articles on which imposed.

TAXATION, however necessary and however well regulated, still imposes many inconveniencies, and in its excess, is injurious to revenue as well as to trade. But it occasions greater evils when it is laid on the manufactures of the country than on articles of foreign growth. In the one case, it merely restrains the consumption of such articles, and the intercourse

[1] See Illustrations of the Breeds of the Domestic Animals in the British Islands, by David Low, Esq., F.R.S.E; Part IX. p. 54. A valuable work, in which eloquence and philosophy are happily combined, in the illustration of this interesting branch of rural economy, with learned research and accuracy of detail.

with the countries in which they are produced, which is no doubt an evil; but internal taxes lay under thraldom the industry of the country: they impose, for the security of the revenue, complicated restraints, necessarily strict and arbitrary, and often capricious; the least deviation from which, even through inadvertence, exposes the offender to heavy penalties; while the Revenue officers, in enforcing this code of petty tyranny, must have access at all times, by night as well as by day, to every part of the manufacturer's work. It may be easily conceived how injuriously such restrictions must interfere with those manufactures which depend on chemical agencies; how the spirit of invention must be checked by acts of Parliament regulating the work in all its most delicate processes,—when they shall begin, and when they shall end; and, as in the case of spirits, minutely prescribing the nature and strength of the materials to be used. In all the higher and more complicated modes of industry, this constant and teasing superintendence is more especially injurious; since it admits, in no case, of any deviation from the beaten track. Under this blighting influence, ingenuity necessarily languishes. No new modes of working can be introduced; no experiments tried by which the chemical and other properties of materials may be better known and more extensively used. The application of science to the improvement of industry is in this manner obstructed; the manufacturer is forced on modes of working less efficient and economical than he himself would desire; and a waste of materials is occasioned, and a useless ex-

pense, which raises the price of goods, and narrows the demand.

The survey of the Excise generally commences in the earliest stage of the manufacture, with an exact gage of the materials on hand, which is continued throughout the subsequent processes, and ends with a strict account of the goods that are finally produced. If it is found, on a balance of these two accounts, that the actual produce of goods exceeds, after certain allowances, the previous estimate, the excess is charged with duty; and in case of a deficiency, or presumption of fraud, the manufacturer is threatened with forfeitures and penalties. This double survey is enforced in the manufacture of spirits, of malt, of soap, as it was formerly in that of glass. The manufacturer is debited with a presumptive charge, founded on an estimate of the produce from a given quantity of raw materials, which, though he fail to realize, he is still liable for the whole amount of the duty; and hence he labours to make up the quantity required, though frequently with a deterioration of the quality.

It was to avoid the manifold inconveniencies attending this mode of assessment, that the duty on window-glass, and on bottle-glass, was transferred from the fluxed materials to the goods as they came finished from the annealing furnace, which added to the ease and comfort of the manufacturer, without at all trenching on the security of the revenue; and equal relief would be given, if the same mode of levying the duty could be extended to other branches of industry. The perfection to which the paper manu-

facture has been brought, is ascribed, and not without reason, in the report of the Excise commissioners, to this exemption, during the previous process, from the survey of the Excise, and to the free application of machinery to its improvement. The amount of the raw material, however, seldom affords any sure data for an estimate of the actual produce, nor, consequently, any just rule of charge. In the manufacture of soap, the calculation of the Excise is, that thirteen hundred-weight of material will produce a ton of soap: and though the calculation is at variance with all experience, and cannot be realized, it is, nevertheless, the rule of charge against the manufacturer, which he must pay, however short of this quantity his produce may be. So vexatious and impracticable has this process of assessment been found, that in England it has been dispensed with by the mutual consent of all parties, as impeding business without securing the revenue; while in Scotland it has been rigorously enforced,—the officers, in many cases, relieving each other with all "the exactness and discipline" of sentinels. And thus it seems to depend on the discretion of the Excise officer whether the act of Parliament shall be enforced, or whether it shall remain a dead letter.[1]

It is now generally acknowledged that the Excise regulations are far too complex, and that the pen-

[1] See the shrewd and conclusive evidence on this subject, of Mr Taylor of Edinburgh. Appendix to Seventeenth Report, p. 128. See, also, evidence of Mr Fripp, soap-maker, Bristol, Seventeenth Report, p. 15; of Mr Soames, manufacturer in London; of Mr Undsworth; of Mr Benjamin Hawes.—Report, pp. 92, 93.

alties by which they are enforced are out of all proportion severe. This evil is the necessary consequence of heavy taxation. The temptation to evade the tax increases with its amount: and heavier penalties and more minute regulations, are, in consequence, deemed necessary for the protection of the revenue. It is stated in the Seventh Report of the Select Committee, that if the Excise regulations were submitted to the revision of persons scientifically as well as practically acquainted with the subject, a great reduction might be made in their number, and a greater simplicity given to their form and language; and that a system of survey might be devised equally efficient and less oppressive. "The full benefit of such an improvement," it is added, "cannot, perhaps, be fully appreciated except by those who have had opportunities of witnessing the feelings of disgust and dissatisfaction expressed by traders, from being subjected, in the conduct of their business, to a code of rules and regulations to which, from their multiplicity and complexity, they state it to be next to impossible that they should in all respects conform."[1] Taxes which require such machinery for their collection, on however fit objects they may be imposed, are so deeply injurious to the manufacturer, that they may be truly said to err against Dr Smith's fourth maxim, in taking out of the pockets of the people a much greater sum than they bring into the Treasury.

The chief articles of internal manufacture on which heavy duties have been imposed in this country, are British spirits, malt, beer, soap, starch, candles,

[1] See Tenth Report, p. 15.

paper, leather, glass, and printed cottons. The duty on printed cottons, which was extremely unequal and oppressive, was abolished in 1830; those on starch, on candles, and on leather, have also been repealed: the duties on the other articles still remain among the most productive in this country; and their policy and practical effects may therefore be briefly considered.

Taxes on British Spirits.

Severity of the Excise survey.—Frequent changes in the mode of assessment.—Injurious and expensive to the manufacturer.—History of the tax in England and Scotland.—Frequent changes.—Assessment on the cubic contents of the still.—Not suited to the process of distillation.—Its effects in deteriorating the spirit.—Division of the country into districts, with separate duties.—Its impolicy.—The market chiefly supplied by the smuggler—Entire change of the law in 1814.—Illicit trade still continues.—Permission to use small stills.—Duty reduced to 2s. per gallon.—Success of this measure.—Decrease of the illicit trade.—Increase of the revenue.—Increase of the tax in 1825.—Its effects.—The Irish duties.—Assessed on the contents of the still.—The effect the same as in Scotland.—Alarming increase of smuggling.—Duty reduced as in Scotland.—Its success.—Increase of the spirits brought to charge.—Decrease of smuggling.—Tax again increased in 1830.—Revival, to a certain extent, of the illicit trade.—Reduction of the duty in 1834.—Effects.—Tax increased in 1842.—Unproductive.—Repealed in 1843.—Account of the duties in England.—Consumption checked by the high duty.—Tax reduced.—Revenue increased.—One uniform duty proposed.—Distinction of duties necessary from difference of circumstances.

In this country, British spirits have been subjected to a heavy tax, and to a rigorous survey for its collection. The act by which it is imposed is most minute in its details, of which the substance is sub-

joined, as a sample of the severe code under which the British revenue is collected. The law fixes, first, the locality of the distilleries in England within a quarter of a mile of a market town, containing, at least, five hundred inhabited houses; second, also the size of the still, which, in England, must contain at least four hundred, and in Ireland and Scotland, forty gallons. It describes minutely all the different vessels and stills which the distiller requires, and in what manner they are to communicate with each other. Before beginning to work, the premises and all the utensils to be used, must be entered; each room or utensil distinguished by a particular letter; a drawing or description given of every fixed pipe or communication, and of the place to which it leads, and every pipe painted of a particular colour, according to the use to which it is applied. The same vigilance is maintained through every stage of the manufacture. The extract from the grain is watched in all the successive processes through which it passes in its progress to pure spirit. Every vessel in which it is contained is placed under the lock and seal and other fastenings of the Excise officer. No operation can go on except in his presence. He must be present when the brewing commences,—six hours' previous notice being given him of the exact time; also of the materials to be used, and their quantity; and when the operation is finished, of the vessel in which the wort is collected; of its specific gravity, which is the measure of its strength, and which must agree with a notice previously given; and is restricted, in England, to 90 and 50, and in Ireland and Scotland, to 80

and 30 degrees. The wort being converted into wash, is measured and remeasured every eight hours by the officer, both for its strength and quantity. On a previous notice of eight hours, being again measured, it is conveyed, still under his inspection, to another vessel, he having removed the locks and fastenings by which it is secured; where, being again measured, it is conveyed into the still, where it is converted into low wines: the officer still attending to measure both its strength and quantity, and to place everything under his lock and seal. In like manner, with four hours' previous notice, and its quantity and strength ascertained as before, the officer making his surveys at least twice during his course of eight hours, the process of distillation proceeds; and, after another survey of the strength and quantity, the spirits are allowed, on four hours' previous notice, to be removed into the distiller's stock.

The tax on spirits may be assessed in different stages of the manufacture: either on the wort after it undergoes the process of fermentation and is converted into wash; or on the low wines, the first extract by distillation from the wash; or, finally, on the second extract, namely, the spirit when it is fit for use. As it is considered essential for the security of the revenue to watch the process of distillation through all its stages, it is probably of no great moment whether the duty be imposed on the wash or on the spirit. But the distillers justly complain that, in addition to the minute and vexatious inspection of their concerns by the Excise, they have been exposed to great loss and inconvenience from the fre-

quent changes that have been introduced in the mode of assessing the duty: sometimes on the wash, at other times on the spirit, and, in Scotland and Ireland, on the cubic contents of the still. With each successive change in the law, they incurred a heavy charge in adapting their premises, on which they had generally expended a large capital, to the new mode of working; and in the purchase, also, of new vessels and other utensils, in place of those previously in use. Changes of this nature, which deeply affect the concerns and property of individuals, ought not to be rashly hazarded. A wise legislator will study existing interests, and be slow to derange establishments in which a large capital has been embarked. In the different laws for the regulation of the distilleries in this country, no such caution has been observed. They appear to have been rather a series of rash experiments, by which the property of the manufacturer has been largely sacrificed, with little benefit to the revenue. No branch of industry has ever, perhaps, been so harassed by such varying and complex regulations. In England, by the 4 Queen Anne, the duty was imposed on the low wines and on the spirits, as at present; and this mode of assessment continued until 1784,[1] when the duty was imposed on the wash at the rate of 5d. per gallon. In 1825,[2] the duty was again transferred from the wash to the low wines and spirits, by which the distillers incurred a heavy charge in altering their works, in compliance with the new law. One extensive dealer, in his evi-

[1] 24 Geo. III., c. 46. [2] 6 Geo. IV. c. 40.

dence before the Commissioners of Excise Inquiry,[1] states his expense, on this account, to have amounted to the incredible sum of £60,000; and another estimates his loss at £12,000. This alteration, expensive as it was to the manufacturer, was considered by many as affording no advantage whatever over the former mode of working; and they, besides, complained deeply that all these experiments for improving the revenue, were made at the distiller's expense.

The distillery regulations of Scotland and Ireland, and the changes which they have undergone, have been still more faulty, and have produced even greater evils than those of England. The act of Union extended to Scotland, the English law of Queen Anne, which, with some immaterial amendments and additions to the tax, continued in force eighty years; during which period both countries enjoyed the advantage of equal duties, and a free trade. The exportation of Scots spirits was in consequence begun in 1777, and rapidly increased from 2034 gallons, its amount in that year, to 881,969 in 1786; a greater quantity than was at that time brought to charge for the home consumption of the country.

It was about this period that the illicit trade, favoured by the increase of taxes, and the lax administration of the Excise, was carried to its height; and that all the great staples of consumption, such as tea, wine, tobacco, spirits, East India goods, laces, silks, &c., were known to be chiefly supplied by the

[1] See Appendix to the Seventh Report of the Commissioners of Excise Inquiry, No. 94. Evidence of Thomas Smith.

smugglers; who were so numerous and powerful, being frequently well armed, that they landed their goods, and carried them into the interior in defiance of the Excise. The decline of the revenue from this cause occasioned serious alarm, and was the subject of long and earnest inquiries by parliamentary committees. The simple expedient of lowering the duty on tea adopted by Mr Pitt in 1786, when it was commuted for a tax on window-lights, gave a complete check to the contraband trade in that article. But, unfortunately, no substitute could be found for other taxes which it would have been equally expedient to have reduced or repealed. Spirits formed at this time one of the great articles of the illicit trade, of which the legal consumption, along, of course, with the revenue, had greatly decreased. In order to check this growing evil, a new scheme, recommended by the Commissioners of Excise Inquiry in 1784, was now tried in Scotland, in which the mode of assessing the duty on spirits, and of working, was entirely changed. The existing duties were all abolished, and a license-duty was imposed on the cubic contents of the still, at the rate of £1, 10s. for every gallon which it contained; when the distiller was left at full liberty to manufacture his spirits according to whatever process he might judge best, and to produce any quantity of which his still was capable. This new law for regulating the distilleries, which was considered to be an infallible device for improving the revenue, was the least successful of any that had been tried. It was founded on a total ignorance of the business of dis-

tillation, and was alike injurious to all the various interests which it affected, to the revenue as well as the manufacturer; while in debasing the quality of the spirit, which was its acknowledged effect, it gave to the illicit trader a decided superiority in the market. The tax being proportioned to the capacity of the still, and being the same whatever quantity was produced, the distiller, having paid the annual duty, had an interest in producing the greatest possible quantity of spirits within the year; and he contrived to run off the still—an operation which it was supposed would require twenty-four hours—in three minutes. By this quicker process of distillation, which the new law introduced, he so far outstript all the calculations that had been made, that the duty, though still following the increased production at a tardy pace, was gradually raised from £1, 10s., its amount in 1784, to £164 in 1806, on each gallon of the still, besides an additional duty on the wash and on the spirit.

It was about this period, namely in 1784, that Scotland was divided into the Highland and the Lowland districts, each with different regulations and rates of duty; and these unequal duties, with the new modes of assessment, still favoured the progress of illicit distillation. Against the competition of the more lightly taxed Highland spirit, the Lowland distiller was protected, not by a countervailing duty, but by its exclusion as contraband from the Lowland district. The reason and taste of the community alike rebelled against this unnatural law, which interdicted the produce of the country from the use of

its own inhabitants. The general sympathy was with the smuggler. The Highland spirit which he manufactured from malt in small stills, was in universal demand, and was brought over the Border by bands of organized smugglers, against whose inroads no vigilance could guard the forbidden frontier. The entire exclusion of this staple product of the Highlands would indeed have been deeply injurious both to the landlords and tenants of that district, by lowering the value of their lands; and hence the zealous concurrence of both in evading the rigour of this arbitrary law. It was the demand of the illicit distilleries for barley that raised its price, and greatly improved the value of all Highland estates: in many cases doubling their rents. Need we wonder, therefore, that no great zeal was evinced in suppressing illicit distillation; or that the landlords, sitting as judges in the Excise courts, awarded such moderate fines as operated, and were, indeed, viewed rather as a license-duty for the continuance of the trade, than as a penalty on its suppression. All the recesses and glens in the Highlands were accordingly known to be the seats of illicit distillation; and by many ingenious devices, and secret channels, the spirit found its way in large quantities into all the Low-country markets.[1]

In 1814, the assessment on the cubic contents of the still was discontinued; and the English system of a duty on the wash, and on the spirit, was ex-

[1] See Appendix to the Fifth Report of the Commissioners of Excise Inquiry into the Revenue arising in Ireland, No. 59. Evidence of Hugh Munro, Esq.

tended to Scotland, amounting on the spirit to 8s. per gallon. But this law, in restricting the Lowland distiller to no less a still than of 2000 gallons, and the Highland distiller to one not less than 500 gallons, still left the contraband trader with advantages which he was not slow to improve. The finer and cheaper spirit that was made in his small still was universally preferred to the coarser spirit of the larger stills, to which distillation was now confined. It was by the smuggler, therefore, that the market was still supplied; and the years 1814 and 1815 were noted for the progress of illicit distillation over the whole country. In 1816 the use of small stills of 40 gallons was again permitted; the duty was reduced to 6s. 2d. and 5s. 6d. But the illicit trade had in the meantime received such an impulse, from the unwise restraints and heavy duties imposed on the legal distiller, that no vigilance could suppress it.[1]

It was not till the year 1823, when the duty was reduced from 5s. 6d. to 2s. per gallon, that the legal distiller had any chance of a successful competition with his contraband rival. This act was extended to Ireland, and was in all respects a most successful measure. The lower duty increased the quantity of spirits brought to charge in Scotland, from 2,308,286 gallons, its amount in 1823, to 4,350,301 gallons in 1824, and in 1825 to 5,981,540 gallons; and the revenue which it yielded was nearly equal to the produce of the former high duty, amounting in 1825

[1] See Appendix to the Seventh Report, p. 302, Nos. 100, 101, 102, 103. See, also, Fifth Report.

to £682,848, while the duty of 5s. 6d. only produced, in 1822, £691,136. The efficiency of the measure was further attested by the cessation of the illicit trade, and the erection of legal stills all over the Highlands.[1]

In 1826, the duty was raised in Scotland and in Ireland to 2s. 10d. the imperial gallon; which, making allowance for the difference of measure, was an addition to the tax of 6d. per gallon; and, in 1830, it was raised to 3s. 4d., while the drawback on malt, which had been increased to 1s. 2d. per gallon on spirits, in which it was exclusively used, was reduced, in 1830, to 8d. The effect of those impolitic additions to the duty, was to revive, to a certain extent, the illicit trade in the Highlands; and, to suppress it, new severities were resorted to, namely, penalties and heavy fines; and in default of payment, the jail.[2]

In Ireland similar errors were committed. In

[1] The success of the measure is proved by the concurring evidence of all the different collectors, in the Highland districts; every one expressing himself in stronger terms than another respecting the great benefits which it had produced. See Appendix to the Seventh Report of the Commissioners of Excise Inquiry, Nos. 102, 103. One collector stated in evidence, that at one time he had 150 or 160 offenders to prosecute once a-quarter; and that now (15th November, 1833) they did not exceed five or six. Appendix, Seventh Report, Nos. 104, 305.

[2] See Appendix to Report of Commissioners of Excise Inquiry. Evidence of Collectors of Argyle; who say, "In a part where it [the illicit trade] had revived, and was carried to a considerable extent last year, we have been so fortunate as to make discoveries, and get the persons to jail; and from their not being allowed to get out so soon, nor being allowed aliment, which will make them an example to their neighbours, I hope it will be stopped." 21st November, 1833.

1779, the duty was assessed, as it was afterwards in Scotland, on the cubic contents of the still, and with precisely the same effects. The quicker process of distillation that was adopted entirely distanced the erroneous computations of the Excise; and the [illegible], though it was continually increased till at length it was, in proportion to its original amount, as 38 to 1, never kept pace with the still more rapid increase of spirits which was produced by the improved process of distillation. This mode of assessment was in consequence superseded by a duty of 5s. 6d. on the gallon, at which rate it continued till the year 1823.

All the evils which necessarily arose from excess of duty were, during this interval, experienced in Ireland. Smuggling was carried on to an alarming extent. The annual consumption of spirits was estimated at 10,000,000 gallons; while the duty in 1822 was only paid on 2,910,483 gallons. But the loss of revenue was by no means the worst evil: the prosecution of the illicit trade gave rise to the most lamentable scenes of violence and disorder; the country, traversed by armed and hostile bands of revenue-officers and smugglers, presented, in many districts, the image of war. It was in vain that increased severities were resorted to; that the guilt of an unlicensed still was visited by a heavy fine on a whole parish; and that the smuggler was punished by transportation. The trade was still actively pursued all over the country, until the year 1823, when the duty was reduced in Ireland, as in Scotland, to 2s. the gallon, and was transferred from the cubic contents of the still to the spirit. This measure

was entirely successful: the illicit trade was suppressed; and the quantity of spirits brought to charge was increased from 2,910,483 gallons in 1822, to 6,690,315 in 1824, and to 9,262,744 in 1825; while the produce of the high duty of 5s. 6d., which was in 1821 £912,288, and in 1822 £797,518, was nearly equalled by that of the lower duty of 2s. in 1824, which was £776,690, and was exceeded by it in 1825, when it amounted to £1,084,191. The same effects have still followed every reduction of duty on spirits; a clear proof that it is not one of those commodities on which a heavy tax can be safely imposed. The amount brought to charge in Scotland was, in 1839, 1840, and 1841, 6,188,582; 6,180,138; 5,989,995 gallons: the duty, £1,031,430; £1,088,049; £1,098,149.

The low duty of 2s. on the gallon, though it improved the revenue and put an end to smuggling, was not allowed to continue for more than two years. The experiment of excessive duties was again tried. The tax was raised, as in Scotland in 1826, from 2s. to 2s. 10d. the imperial gallon; and in 1830 to 3s. 4d.; followed as usual by a revival of the illicit trade, and by a loss of revenue. On this point, the Seventh Report of the Select Committee in 1833 contains conclusive evidence from all the most respectable distillers and revenue collectors of Ireland; who state that the illicit trade commenced with the first increase of the duty in 1826, and that in 1832, when it was raised to 3s. 4d., smuggled spirits were openly offered for sale in all the towns; that the fair trader was undersold in

every market; and that before 1833 the contraband trade had overspread the whole country. The only remedy was a reduction of the duty, which took place in 1834, from 3s. 4d. to 2s. 4d., and was followed by the best effects. The spirits which paid duty in 1833 at 3s. 4d. amounted to 8,168,596 gallons, on which the revenue was £1,361,432. The duty in 1834 at 2s. 4d., for the last half of the year, amounted to £1,369,318; and the spirits that paid duty for home consumption to 10,037,209 gallons. In 1838, the quantity of spirits which paid the duty of 2s. 4d. for home consumption, was 12,296,342 gallons; and the revenue received, £1,434,573. Nor was this increase of revenue obtained, as many suppose, at the expense of sobriety; seeing that nearly the same quantity of spirits was consumed when the duty was high. The only difference was, that the low duty was paid on the spirits consumed, while the higher duty was evaded to a great extent.

The last attempt to draw a revenue from Ireland by an increased duty on spirits, was made in 1842, and with precisely the same result as on all former occasions; namely, an increase of smuggling with no proportional increase of revenue. The additional duty imposed was 1s. per gallon; the estimated revenue was £250,000: not above one half of which was realized. The tax was accordingly repealed the year after it was imposed. The consumption of spirits has decreased in Ireland owing to the influence of the temperance doctrines. The produce was, in 1839, 1840, and 1841, 10,815,709; 7,401,051; 6,485,443 gallons; the duty amounted, in those several years, to £1,261,832; £936,126; £864,726.

In England, the increase and decrease of the duties on spirits have always been followed by the same effects. The duty was gradually raised during the war from 3s. $4\frac{3}{4}$d. per gallon to 11s. $8\frac{1}{4}$d. in 1820; and each successive addition was followed by a decrease of the quantity of spirits brought to charge, and in most cases by a loss of revenue. The produce of the duty, on an average of three years from 1820, at 11s. $8\frac{1}{4}$d., was £2,559,825; the duty was reduced, in 1826, to 7s.; and the following is an account of its produce in the following years:—

1826.......£2,592,521	1828.......£2,715,890
1827....... 2,335,046	1829....... 2,695,268[1]

In 1830 the duty was raised to 7s. 6d. without any decrease in the quantity of spirits brought to charge. The following is the account of the revenue for the next four years:—

1830.......£2,857,147	1833.......£2,893,988
1831....... 2,787,767	and in
1832....... 2,730,712	1838....... 2,973,933

The last increase of duty was in 1840, when 4d. was added to the gallon of spirits, without apparently any corresponding increase of revenue; the produce of the duties in Britain being, in

1839.......£4,040,438	1841.......£4,214,083
1840....... 4,169,554	1842....... 4,035,914

The unequal duties, and different regulations and modes of assessment which have been adopted in England, Scotland, and Ireland, have been always a subject of complaint, and a serious obstacle to

[1] See Seventh Report, Appendix, No. 83.

a free trade. But a uniform rate of duty could only be established in the three kingdoms by lowering the English and Scots to the Irish duty of 2s. 4d. This, however, would probably be attended with a great loss of revenue; for, though smuggling may prevail in the great towns of England, where illicit stills are secretly worked on a small scale, the revenue from spirits is punctually paid by the few great capitalists, among whom the manufacture is divided. In 1833 the number of English distilleries did not exceed twelve, and they paid duties to the amount of £1,420,525. In 1842 duties were paid by nearly the same number, to the amount of £2,648,651. But this heavy duty, if it were imposed on numerous lesser dealers, as in Ireland or Scotland, would be evaded on all hands: a tax of much less than 7s. 10d., the present amount of the English duty, would restore the illicit trade in all the mountainous recesses of those countries, where no vigilance of the Excise could ever reach it; and one uniform duty, therefore, however great its advantages would be, could hardly be established throughout the United Kingdom, without a greater sacrifice of revenue than, in the present state of the finances, could be afforded. The difference of duties, besides, does not prevent the import both of Scots and Irish spirits into England. After being interrupted by the useless and expensive changes, and different modes of manufacture introduced into the two countries, the exportation of spirits to England was resumed from Scotland in 1795, when it amounted to 125,377 gallons. It was favoured by the alteration

of the law in 1823; and in 1833 it had increased to 2,587,316, and in 1839, to 2,140,325 gallons from Scotland, and from Ireland to 351,529 gallons; the Scots and Irish spirits paying, of course, a countervailing duty on their importation into England.

On Malt.

Restraints on the manufacture.—Objections of the maltsters.—Answer by the Board of Excise.—Restraints the result of heavy duties.—Not a heavy tax on beer.—Not the cause of the non-increase in its consumption.—Arising from high price and other causes.—Tax on beer.—Moderate, and not oppressive.—No good reasons for its repeal.

All the other branches of industry on which taxes are imposed, are placed under the same strict survey as the manufacture of spirits. The details vary, of course, and are more or less oppressive according to the different processes to which they are applied. But the object is still the same; namely, to watch the raw material in the various stages through which it passes, until the manufacture is finished. The making of malt is conducted under the strictest surveillance of the Excise; and the maltster complains deeply of the restrictions on the process of malting, by which the time of steeping the grain and of watering it when on the floor, is prescribed by the law, and to which, under all the variations of the temperature and the seasons, he is bound, under heavy penalties, strictly to conform. Most of the witnesses who were examined by the Commissioners

of Excise Inquiry in 1835, complain of these and other restraints, as cramping the fair trader in the exercise of his skill. It was stated in reply, that the regulations complained of were introduced not rashly nor capriciously, but for the security of the revenue,—being suggested by cases of fraud which actually occurred; and it is certainly not an easy task, more especially when the taxes are heavy, to reconcile the ease and comfort of the manufacturer with the strict collection of the duties. Heavy taxes present an irresistible temptation to fraud, from which the revenue can only be secured by regulations strict and arbitrary, and that cannot be relaxed, however adverse to the spirit of freedom or to the progress of industry.

The tax on malt, after various alterations during the last war, and since its termination, was finally fixed at 2s. 7d. per bushel, or 20s. 8d. per quarter, in 1822. If the quarter of malt be estimated to produce 3½ or 3¼ barrels of strong beer, the following will then be the amount of duty:—

On the malt,....	20s. 8d.
On the beer,....	32s.
Hops,....	2s.
	54s. 8d.:

about 17s. on the barrel of beer of 36 gallons; or about 6d. on the gallon; being equal, if we estimate the value of the gallon at 2s. 6d., to 20 per cent. on the price. This tax is, consequently, among the most moderate of the British imposts on consumable articles. The consumption of beer has not, however,

increased with the progress of the country. From the parliamentary accounts, it appears that the consumption of malt, and consequently of beer, had been almost stationary since about the beginning of the last century. The average quantity of malt charged with duty for ten years, from 1715 to 1725, was 27,716,252 bushels. The quantity of beer made in 1722 amounted to 6,092,553 barrels, when the population of Great Britain did not amount to above six millions. For ten years, from 1820 to 1829 inclusive, the average amount of malt that paid duty was 26,512,242 bushels; and the average consumption of beer, for seven years preceding the repeal of the beer duty in 1830, is only 7,352,000 barrels; while the population of the country had increased to 14,000,000.[1] But as the tax on beer has never exceeded, and seldom been so high as 20 or 24 per cent. in the course of last century, it will scarcely account for this stagnation in the demand, considering that it could not have materially raised the price. A very great rise, however, has taken place in the price within the last fifty or sixty years, which, along with other causes, will fully account for the stationary demand in this country. The best London porter, which was sold about fifty years back at 3s. or 3s. 6d. per dozen, and at 52s. 6d. per hogshead, has now, from whatever cause, risen to double that price, or to 104s. or 106s. The price of strong beer or ale, has risen in a like proportion, namely, from 60s., 70s., and 80s. per hogshead, its price in 1790, to

[1] See Appendix to the Fifteenth Report of the Commissioners of Excise Inquiry, No. I., Reply of Board of Excise, p. 85.

nearly double—namely, from £3 to £7 per hogshead; and from a table of the contract-prices paid by Greenwich Hospital for more than a century past, we find a gradual rise in the price of beer from 4s. and 5s. to 15s. and 20s. per barrel: not above one fifth part of which can be placed to the account of the tax. This high price may have checked the demand for beer; but it has been greatly aided by other causes. namely, the growing taste for articles which come into competition with beer, such as tea, coffee, and spirits. Tea was introduced into this country about the beginning of last century. Of all the foreign luxuries, it has proved the most grateful to the public taste; and its consumption has accordingly increased from 370,000 lbs. in 1722 to ten, twenty, thirty, and even forty millions of lbs. in some years. It supplanted, in many cases, the rival commodity of beer, and broke up the numerous ale-drinking clubs that were common in the country about the beginning of the last century. Those several beverages, tea, coffee, beer, and spirits, have each their own class of consumers. A tea-drinker is seldom given to spirits; while a tippler of spirits as seldom cares for tea. Hence it is scarcely possible that the consumption of tea could have increased to thirty or forty millions of lbs. without trenching on the consumption of those other articles with which it comes directly into competition. Tea and coffee are fully as expensive in their use as beer, greatly as the duty on coffee has been reduced; and tea is much more heavily taxed. But neither the expense of tea, nor the tax on it, have prevented its increased consumption; still less would

any growing demand for beer have been prevented by the more moderate tax to which it has been subject, if it had suited the general taste. But this appears not to have been the case; and, accordingly, in the competition between those rival articles, beer has been thrown out, and tea and coffee, or spirits, have been preferred.

The tax on beer was repealed in 1830. It was a productive tax, yielding above £3,000,000 a-year; and it was not oppressive; its amount being only 10 per cent. on the price. Along with the repeal of this tax, the sale of beer was set free from the restrictions hitherto imposed upon it. Prior to 1830, it could not be sold by retail without a license from a magistrate, renewable annually. The payment of an annual duty of £2, 2s., is all the license that is now required. The repeal of the duty, along with those restrictions on the sale of beer, was followed by an increased consumption of malt; but not, by any means, to such an amount as to make up for the loss of the tax. For ten years prior to the repeal of this tax, the consumption of malt in Great Britain, after a long stagnation, had begun to increase. From 1811 to 1820 inclusive, its average amount was 24,196,386 bushels: from 1820 to 1830, 29,630,195 bushels. During the succeeding period of ten years, it was increased, by the repeal of the beer duty, to 38,614,910 bushels. The average produce of the beer and malt duties in Britain, for seven years from 1823, during which malt was subject to the present duty of 20s. 8d. per quarter, was £7,223,441; while the malt duty, since the repeal of the tax on beer, has produced, on an average for the last seven years,

ending in 1842, £4,844,639: so that, if we deduct the produce of the malt duties from the former amount of the malt and beer duties, the result will show the annual loss by the repeal of the beer tax, to have been £2,349,698. Nor does the consumption of malt appear, notwithstanding the repeal of this productive duty, to be progressively increasing: it was raised, indeed, immediately on the repeal of the duty in question, from 29,630,195 bushels, as already stated, to 38,614,910 bushels; but it has not since increased: the average consumpt for the last three years ending in 1843, being only 36,982,709 bushels. The duty repealed was too inconsiderable in amount to lower the price of beer in any degree to benefit the consumer, or to increase the consumption to the amount anticipated: so that the repeal of the tax appears to have produced no advantage adequate to the loss of revenue which it occasioned. There were, besides, other important financial reforms that, with so large a surplus of revenue, might have been safely carried into effect: such as the great reform of the Post-office, which afterwards took place when there was no surplus to make up for the defalcation of revenue by which it was followed. The opportunity might have been taken to regulate and reform the Custom-house duties; to reduce the tax on fire insurance; the grinding duties on legacies; the house and window duties; or the exorbitant duty of 100 per cent. on tea. There was, unfortunately, too great a choice of subjects on which to lay out the surplus that had accrued; and no necessity, consequently, to select for repeal one of the most productive and least oppressive of all the British duties.

On Soap.

Regulations of the Excise.—Interfere injuriously with the manufacture.—Illicit trade.—Causes of it.—Duty reduced in 1833.—Effects on consumption and revenue.

Soap, though it is essential to health and comfort, and should therefore be brought within the reach of all classes by a low price, is too important an article of consumption to be neglected, where a large revenue is required. It has, accordingly, been taxed in this country from an early period, and the manufacture placed under the strict survey of the Excise; by which its improvement has been seriously retarded.

The regulations under which the revenue is collected, restrict the maker in his mode of working and in the choice of his materials. He cannot try experiments for the purpose of finding out the articles best suited to his purpose, nor can he adopt the improved apparatus by which soap is made more cheaply, more expeditiously, and of a better quality, in France and other countries where there are no restrictions: and hence the manufacture, which is a chemical process, has not profited, as in other countries, by the modern improvements which have been made in that science. The same process which was in use when the tax was imposed, is continued with little alteration; and the soap which is made in France and Spain, and even in Barbary, is in consequence preferred to English soap.

It appears, also, that those regulations, however they restrict the manufacturer, have failed in their intended purpose of checking the illicit trade, which has been peculiarly facilitated by modern chemical

discoveries. The barilla from Spain and Portugal, formerly used, contained about 20 per cent. of alkali; the kelp from Scotland only about 6 per cent.; and the manufacturer, in prosecuting his clandestine operations, had great difficulty in safely disposing of the refuse which these materials left, which, being easily known by a peculiar blue appearance, was often the cause of his detection. All these difficulties are obviated by the concentrated alkalies now made, which can be put into a copper without grinding or any other operation, which leave no refuse, and by the use of which soap can be made in as many hours as it formerly required days.

The duty was reduced, in 1833, from 3d. to 1½d., with a view not only to extend the consumption, but also to check the contraband trade. This reduction of duty, which was about one-half, was followed by an increase in the consumption, of about one-fourth; which afterwards increased to a half, or 50 per cent., on its former amount.

The average amount of the soap retained for home consumption, for ten years prior to the reduction of the duty in 1833, and adding the ninth part, on account of the allowance of one-tenth formerly made to the manufacturer on the high duty, was 106,568,611 lbs.[1] The average of two years after the duty was reduced, 130,690,061 lbs.; being an increase of about one-fourth.

[1] An allowance of one-tenth on the quantity manufactured was made before 1833 to the maker, which was withdrawn when the duty was reduced; and in order to make a fair comparison between the amount of duty, or of soap charged with duty previous and subsequent to this period, one-ninth must be added to the parliamentary accounts of duty or of produce prior to 1833.

The average produce of the duty of 3d., for ten years previous to 1833, adding, as before, the ninth part, was £1,392,158; average produce of the reduced duty, for seven years prior to 1843, £772,187. From the following account, the produce of the duty appears to be on the increase since it was reduced.

Net produce of the duty on soap since 1836:

Year	Produce	Year	Produce
1836	£754,547	1840	£728,700
1837	729,567	1841	814,227
1838	869,630	1842	828,003
1839	700,650		

On Glass.

Different kinds of glass.—Strictness of the Excise survey.—Not necessary to secure the revenue.—Account of the duties and their gradual increase.—Tax on crown-glass falls on dwelling-houses. —Not exorbitant.—Does not lessen the consumption of crown-glass so much as the window tax.—Consumption of glass.—How affected by the tax.—Tax on bottles—its amount dependent on the consumption of the liquors for which bottles are required.— Not an oppressive tax.—Flint-glass.—Impolitic increase of duty. —Decrease of consumption.—Decrease of duty and of revenue. Illicit trade.—Facilities to the smuggler from chemical improvements.—Illicit trade checked by the reduction of the duty.— Plate-glass.—Nature of the manufacture.—Checked by the exorbitant rise of duty in 1813.—Decrease of duty.—Increase of consumption occasioned by a great fall of price as well as by reduction of duty.—Injurious restrictions on the manufacture.—Examples.—Regulations respecting the drawback on exportation.

In the act which imposes the taxes on glass it is distinguished as follows:—1st, crown-glass, and German sheet-glass, or window-glass; 2d, broad-glass, a coarser species of glass used for the same purpose;

3d, flint-glass, namely, decanters, tumblers, wine-glasses, and small phials; 4th, plate-glass, which is cast and manufactured chiefly into fine mirrors, and blown plate-glass; and 5th, bottle-glass. Each of these descriptions of glass is liable to different regulations and rates of duty.

Glass was first subjected to a tax in this country in the reign of William III., which was soon afterwards repealed; being, as is stated in the act of repeal, "so vexatious and troublesome in the levying," and endangering the loss of so beneficial a manufacture to this kingdom.[1] It was, however, again imposed, accompanied by the strictest survey of the manufacture in every stage, and in its most delicate processes, which restrained all experiments for its improvement, and occasioned both loss and vexation to the maker. The favourite scheme of a check on the manufacturer by a double survey, first of the materials used, and afterwards of the goods produced, was strictly enforced. With this view the materials were gaged while in a state of fusion in the pots by the officer, and afterwards by the supervisor. The maker was required to make entry in writing of every place which contained glass, or the materials for making it; of every furnace, melting-pot, or chamber; to mark and number them; to give six hours' notice, before beginning to work, of the weight of the materials, and of the kind of glass that was to be made; while every glass-house was beset at all times, by night as well as by day, by the officers of Excise.

So close an inspection, which aggrieved the manu-

[1] See 13th Report.

facturer, was not necessary for the security of the revenue. The materials of which glass is made, namely, fine sand and kelp, or other coarser substances, being melted by exposure to intense heat, are then moulded into the various forms and utensils required; after which they are placed in another furnace, at a lower temperature, where the great heat they have acquired is gradually allowed to cool; as any sudden change of temperature would cause the frail materials of which they are composed to fly in pieces. All articles of glass, with the exception of the smaller articles of flint-glass, must undergo this annealing process; they must all go through the annealing furnace. Here, therefore, if vigilant officers are constantly stationed, no article of glass-ware could possibly escape the legal charge; and hence the thraldom under which the glass manufacture was long placed in the early part of the process, by the gaging and regaging of the fluxed materials in the pots, and by the other inquisitorial proceedings of the revenue officers, continually on the premises, were not less troublesome and vexatious than they appear to have been uncalled for.

In 1795, accordingly, by the 35 George III., the unnecessary rigour of these regulations, was in some degree relaxed. It was enacted that the makers of glass bottles, who were desirous of paying the duty on the weight of the manufactured goods as they came from the annealing furnace, and not as formerly on the fluxed materials, were required to make a declaration to this effect; when the officer was bound to adopt this new rule of charge, though he was

not prohibited, as he ought to have been, from still gaging the materials in the pots.

In 1809 the same rule of charge was applied to window-glass, and to broad-glass. An act was passed in that year for repealing the duty on the fluxed materials, and assessing it on the manufactured goods as they were received from the annealing furnace; which was a decided improvement, as it relieved the manufacturer from the early survey, and all the inquisitorial proceedings connected with it; for, though the 1 & 2 Victoria, which consolidates the duties on glass, still continues to the officer the power of gaging the materials, and though it has been often vexatiously exercised, and with no profit to the revenue, yet when the amount of the materials ceased to be the rule of charge, or any check on the illicit dealer, the gaging of the pots became little else than a useless form. In practice, accordingly, the maker of window-glass, of German sheet-glass, and of bottle-glass, was relieved from the early survey: and the inspection of the Excise, now only commencing when the manufacture is nearly completed, he is in a great measure left, in its first stage, to pursue his own plans; as it is only after the wares are removed into the annealing furnace, that the precautions for securing the revenue really commence.[1]

The tax on glass, which was reimposed in 1746, amounted to 9s. 4d. per cwt. on the materials of crown, plate, and flint glass, and all white glass,

[1] Appendix to the 13th Report, No. 33, p. 132. Evidence of Mr R. L. Chance, glass manufacturer, Birmingham; also, evidence of Mr Cookson, No. 25, p. 100.

which was equal to about 30 or 40 per cent. on the price. In 1777, the duty on the materials of flint and plate glass was raised to 18s. 8d. per cwt.; on those of common bottle-glass to 3s. 6d.; and two other distinctions of glass were introduced, namely, crown-glass and broad-glass, or German sheet-glass on the materials of which a duty was imposed, on the former of 14s., and on the latter of 7s. per cwt. Several additions were from time to time made to the duties in the course of the next ten years. They were raised on the materials of bottle-glass in 1787 to 4s. ½d. per cwt.; and in 1794, on the materials of plate-glass, to £1, 12s. 2¼d.; and on those of crown-glass to £1, 4s. 2d., which was equal to about 100 per cent. In 1805, several trifling additions having been made during the interval, the duties were raised to £2, 9s. per cwt. on plate and flint glass; to £1, 16s. 9d. on crown and German sheet glass; and to 12s. 3d. on broad-glass; on which latter they were raised in 1810 to 15s.; and in 1813 the duty was doubled on all denominations of glass. On flint and phial glass, as also on plate-glass, it was raised to £4, 18s.; on crown-glass, and German sheet-glass, to £3, 13s. 6d.; on broad-glass, to £1, 10s.; and on common bottles, to 8s. 2d. per cwt. In 1819 the duty on plate-glass was reduced to £3 per cwt.; and in 1825 that on flint-glass was transferred to the fluxed materials at the rate of 3d. per pound, which on the manufactured glass was equal to 6d. per lb., or £2, 16s. per cwt. This duty was, in 1838, reduced to 2d. per lb. on the manufactured glass. In 1830 the duty on bottles was reduced from 8s. 2d. to 7s. per cwt.

These duties have been censured as extravagant in their amount, and as having prevented the demand for glass, however well adapted either for use or ornament, from increasing with the wealth and improvement of the country. The description of glass which is most heavily taxed is crown-glass or window-glass, on which the tax of £3, 13s. 6d. per cwt. amounts to about 200 per cent. on the price. But, as formerly observed, a tax is not necessarily immoderate because it exceeds the price of the article on which it is imposed. A tax of 500 per cent. on certain commodities may not impose so heavy a burden as a tax of 100 per cent. on others. A tax of 700 or 800 per cent. on tobacco, does not probably add 20s. or 30s. a-year to the expense of the consumer. A tax of the same amount on salt or on pepper would add still less; while the present tax of about 100 per cent. on tea, levies as many pounds on the consumer as the 500 per cent. tax on pepper formerly levied shillings. A tax of 200 per cent. on window-glass appears at first view inordinate. But, if we consider the uses to which window-glass is chiefly applied, it will be seen that it is a tax on dwelling-houses as much as the window-tax, or the direct tax on houses; and the degree in which it raises the price of the article on which it really falls, must decide whether it be exorbitant or otherwise.

In a house with twenty windows, the expense for glass will not exceed £30 or £35, while the property is probably worth from £1000 to £2000; and if the tax were reduced one-half, it would save the proprietor £10 on a sum of £1000, or 1 per cent.

on his first outlay; while his annual expense for glass must be still more trifling, and can scarcely amount to above twenty shillings in the year. On smaller houses the tax will be less in proportion; so that, if the consumption of crown-glass fall off, it can hardly be owing to this tax, whether of 100 or of 200 per cent. on the price. There are, however, other taxes which affect the consumption of window-glass, though indirectly, yet more heavily than this direct tax. Such is the duty on windows, which was first imposed in the reign of William III., and was gradually increased till, in 1776, the progressive duty amounted to £1, 14s. 6d. annually on twenty windows. The commutation-tax of Mr Pitt, in 1784, nearly tripled this duty, raising it to £3, 19s. 8d. on twenty windows; about 5 per cent. on the rental; which by successive additions in 1797, 1798, 1802, 1803, and 1808, was enormously increased. The duty was progressive, from 6s. on a house with six lights to £93, 2s. 6d. on 179 windows; and the intermediate duties were after the same exorbitant scale. On twenty windows the duty was £13, 15s.; on forty windows, £28, 17s. 6d. When the number of windows was between thirty and forty, the tax increased at the rate of 17s. for each additional window; and of £1, £2, and £3, as the number increased. The number of houses liable to the window duty is estimated at 280,000. Those which are exempted, in not having six or seven windows, at 4,000,000. If we reckon these houses to have on an average four windows, the number of windows that are not taxed will be 16,000,000; and reckon-

ing the other class of houses to have on an average twenty windows in each, the whole number will amount to 5,600,000, or about one-third. This is a far heavier duty on glass than the direct tax, though it is not so easy to estimate accurately its effects. Taking, however, the amount of the duty on crown-glass to be 200 per cent., and the expense of glass for twenty windows at £30, the amount of the duty will be £20. But the window tax amounts to more than two-thirds of this sum; and being an annual burden, can hardly be estimated at less than ten times the amount of the direct duty: so that, if the one had the effect of checking the consumption, it must have been still more severely checked by this heavier tax, or penalty, as it may be called, on the use of glass.

But the demand for window-glass is affected, though indirectly, more by the circumstances and general condition of the country than even by its own price. Where a country is rapidly advancing in wealth and population, it is certain that the number of dwelling-houses will continually increase, as will of course the demand for everything which dwelling-houses require; and, among other articles, for crown-glass. If the increase of inhabitants require a greater number of dwelling-houses, the price of window-glass, or the tax, heavy as it is on its use, will hardly hinder them from being built. We cannot imagine that the great moral machinery by which a country is borne forward in its course, could be suddenly stopt by the window duty, and still less by so trifling a clog as a tax on glass,

which would add about 1 or 2 per cent. to the expense of house-building. In those intervals of depression, however, to which every country is liable, population will advance at times at a slower rate; the number of dwelling-houses will also more slowly increase, and there will not be the same demand for those articles, for crown-glass among the number, which dwelling-houses require; and to these indirect causes, perhaps, rather than to the effect of the taxes, whether direct or indirect, may be traced the increasing or stationary demand for crown-glass. An increased economy in the use of the article must, no doubt, be the consequence of its high price, and of the other imposts with which it is burdened. But the petty expedients of economy to decrease must be far less powerful than the tendencies of an improving country to increase the consumption of this article.

The yearly consumption of crown-glass in England varied between 1778 and 1823, a period of forty-five years, from 63,000 to 93,000 cwts.; and its non-increase from the year 1789, when it amounted to 90,746 cwts., to 1823, when it was 90,640 cwts., has been ascribed to the immoderate duty. But this annual supply of 90,000 cwts. may have been equal, not only to the annual waste, but to all that was wanted in addition for the new dwelling-houses required by the increasing inhabitants. Though stationary, it may, nevertheless, indicate the increase that was taking place in the number of inhabitants, and in the number of houses required for their accommodation: in which case

no progressive increase would take place in each succeeding year, whatever might have been the price; and the non-increase of consumption is a proof, therefore, not of the over-severity of the tax, but only of the slower rate at which the country may have been advancing.

In 1794, the duty was raised from 16s. to £1, 4s. 2d. per cwt.; when the average consumption declined, for the following eight years, from 1795 to 1802 inclusive, to 74,614 cwts. The decrease of consumption thus closely following the increase of duty, might appear to be its necessary consequence, were it not that the addition of 8s. could hardly be deemed adequate to produce such an effect, considering the uses to which the article is applied; and besides, it appears that when, in 1805, the duty was farther raised to £1, 16s. 9d., the consumption, in place of falling off, immediately increased, and amounted, on an average of five years, from 1805 to 1809, to 92,616 cwts., and again fell off in the three following years, from 1810, though the duty continued the same, to 83,955 cwts. From those facts, then, it would clearly appear that, as already stated, the consumption of this article is less affected by the amount of the tax imposed upon it than by other causes.

After the duty was raised from £1, 16s. 9d. to £3, 13s. 6d., the quantity brought to charge fell off, which, in the report of the Commissioners of Excise Inquiry, is ascribed to the increase of duty. But the consumption, as already stated, had begun to fall off before the duty was raised; and to

the depressed state of trade, and of the country at large, at the conclusion of the French war, and for several years after, rather than to the increase of duty, may be ascribed this languishing demand for window-glass. With the general improvement of trade and of the country the demand quickly revived, notwithstanding the heavy duty, to nearly double its former amount, as will appear from the following account:—

	Cwts.
Average yearly amount of crown-glass charged with duty in England from the year 1813 to 1823 inclusive:	74,172
From 1823 to 1832 inclusive,	102,771
From 1833 to 1838 inclusive,	137,381
In 1839,	131,333
In 1840,	141,864
In 1841,	111,920
In 1842,	93,055

From the above account, it will be observed that the consumption of crown-glass, which had revived with the progress of the country about the year 1823, has again decreased, for the last two years, with the depression of trade, though there has been no increase of duty; which sufficiently proves that the demand for this article does not, as has been already stated, depend so much on the amount of the duty as on the general condition of the country, which in its advances in population and in wealth, must require an additional supply of crown-glass at whatever cost; while, in those alternate intervals of depression which occur, the demand will fall off. The crown-glass brought to charge in Scotland amounts to about 4000 cwts. in a year.

Produce of the duty in England.

1814	£269,004	1839	£482,648
1836	557,305	1840	588,100
1837	533,405	1841	431,871
1838	485,946		

The tax on bottles, in like manner as the tax on window-glass, does not fall so much on the glass as on the liquor which the glass is made to contain; and though it amount to 100 per cent. on its price, it scarcely affects the article by which it is really paid. The duty of 7s. per cwt. amounts to about 1s. 2d. on the dozen of bottles; which, when they contain wine or spirits, is far too inconsiderable to affect the consumption, even though a bottle should never be used more than once; and in the case of beer, when the same bottle is repeatedly used, the tax must be too trifling to affect even the lower price of this article. The number of bottles that will be required will, therefore, depend on the demand for the liquors which they contain; and an increased consumption of wine, spirits, or beer, will necessarily increase the demand for bottles, whatever be the amount of the tax. And, accordingly, when it was reduced in 1828 from 8s. 2d. to 7s., it is remarked by the Committee of Excise Inquiry, that this reduction does not appear to have been attended with any corresponding increase of consumption;[1] nor would such an effect have been expected by the Commissioners if they had considered that, unless an increase take place in the consumption of the liquors which bottles contain, no greater quantity

[1] Commissioners of Excise Inquiry, p. 21.

can ever be wanted at any price. So far from increasing, indeed, the consumption fell off with the decrease of duty in 1828; the average quantity manufactured for the five years before being 345,814 cwts., and for the five subsequent years only 269,225 cwts. The amount of the duty on bottle-glass cannot, therefore, be objected to as in any respect injurious to the trade. The manufacturer, however, still complains of restrictions on the process, which were imposed at first when the duty was assessed on the materials, and are still continued, though the mode of assessment is changed, and though they are now only vexatious to the maker, without adding in any degree to the security of the revenue.[1]

Flint-glass comprises all descriptions of the finer and ornamental wares; and being more an article of luxury than bottle-glass, a heavy duty has a greater tendency to restrict its consumption, as it may be superseded, if it be overtaxed, by inferior articles; while bottle-glass is indispensable in all cases where liquor is used. In the earlier accounts of the glass duties, those on plate and flint glass are not distinguished. In 1778 these articles were manufactured to the amount of 43,000 cwts., on which a duty of 18s. 8d. per cwt. yielded a revenue of £40,176: in 1788, ten years after, it does not appear that the manufacture had made any greater progress; as the higher duty of £1, 1s. 5½d. per cwt. only yielded £54,870. By the increase of the duty in 1795 to

[1] See Thirteenth Report, Commissioners of Excise Inquiry; Evidence of Mr Cookson.

£1, 12s. 8d. per cwt., the revenue was raised in the following years to £115,000, £130,000, and £120,000; and the average produce of the manufacture was 76,000 cwts., or about 22,000 cwts. more than the produce of 1788. A duty of £2, 9s., which was imposed in 1806, produced about £200,000 a-year; which indicates scarcely any farther increase in the manufacture since 1795. The great and impolitic increase of the duties in 1813 to £4, 19s. per cwt. brought down the annual produce of plate and flint glass to about 63,000 cwts. The consumption was again increased by the reduction, in 1825, of this heavy duty to 6d., and in 1835 to 2d. per lb.; or to £2, 16s., and 18s. 8d. per cwt., as will appear from the following account:—

Average amount of the quantity of flint-glass charged with a duty, in England, of £4, 18s. per cwt., for ten years, viz.:—

	Cwts.
From 1815 to 1824 inclusive,	54,113
For nine years, from 1826 to 1834 inclusive, duty £2, 16s. per cwt.,	64,027
For three years, 1836, 1837, 1838, at 18s. 8d. duty,	82,296
For three years, ended in January 1843:—	
1840,	89,767
1841,	83,093
1842,	72,916

The Commissioners of Excise Inquiry, and several respectable manufacturers who were examined on the subject, were so impressed with the exorbitance of the glass duties, as to suggest that a larger revenue would be derived from a lower tax. But the experiment has been tried, and the fallacy of this expectation has been abundantly proved. There is scarcely,

indeed, any article on which a decrease of tax would be followed by an increase of revenue; and on flint-glass a serious defalcation has been the consequence of a lower duty, which will appear from the following account:—

Average produce of the duties on flint-glass, from 1815 to 1824 inclusive, at £4, 18s. per cwt.,	£262,199
For nine years, from 1826 to 1834 inclusive, at £2, 16s. per cwt.,	178,497
Average produce for 1836, 1837, 1838, at 18s. 8d.,	77,898
Do. of 1839, 1840, and 1841,	83,703

The reduction of those duties was nevertheless highly expedient, as they hindered the improvement of other branches of the glass manufacture, and encouraged the illicit trade. Many articles of flint-glass, such as small phial or crystal bottles, do not require to be annealed; and before the duties were reduced in 1835 to 18s. 8d., it is certain that, in London, Birmingham, and other towns, they were evaded to a great extent by unlicensed houses. From the great progress which has been made in chemistry, the materials for making flint-glass are easily obtained, and of a better quality; and a pure alkali, such as is now made, can be converted into flint-glass, without any difficulty, in a cellar or garret. Owing to these facilities for the illicit trade, joined to the temptation of higher duties, the manufacture of the smaller articles of flint-glass gradually increased to an extent formerly unknown; so that the fair-trader was undersold in every market, by competitors who offered their wares under prime cost. The trade was in consequence in a depressed state;

remunerating prices could no longer be obtained; and no vigilance could detect the contraband dealer in the obscure haunts to which he resorted. It was only by the wise and seasonable reduction of duty which took place, that a check was at length given to this great evil.[1]

Plate-glass is another variety of this beautiful manufacture. It is prepared either by being blown and expanded, or cast at once on flat tables. The value of a plate of glass increases with the size, but in an accelerated ratio; so that in doubling the size we greatly more than double the value. In the manufacture, the great object is to obtain plates of the largest size, which are by far the most valuable. But this is extremely difficult, as the risk of accidents increases with the size and weight of the plate: so that, by a manufacturer in his evidence before the Excise Commissioners, the large plates are compared to prizes in the lottery; and few in proportion to the blanks or the smaller plates, which are much less valuable, though they pay the same rate of duty,

[1] See Appendix to the Thirteenth Report of Commissioners of Excise Inquiry, No. 29, Evidence of Frederick Fincham, Esq. Mr Powell, glass manufacturer at Bristol, gives similar evidence respecting the extent of the illicit trade. "There are," he observes, "thirty manufacturers in the city (London) at this moment, unknown to the Government, employed in melting up what we call cullet, or broken glass, such as the stems of goblets, bottoms of tumblers, the thick parts of decanters, and so on. They can be made up into salt-cellars, cruets, and castors, bird-boxes, smelling-bottles, &c., and it is done to a very large extent; and my belief is, that there is no legislative precaution can prevent it." See Appendix, No. 27.

and are only made when the glass, from flaws or accidents, cannot be cut into larger sizes.[1] On a plate 144 inches long, by 80 broad, the duty of £4, 18s., according to an estimate by a manufacturer, would amount to 50 per cent.; while the same rate of duty, on a plate of 14 inches by 10, would be 100 per cent. The present reduced duty of £3 per cwt. does not amount to more than 30 per cent. on the larger sizes, and 60 or 70 per cent. on the smaller.[2] In a country so heavily taxed as Great Britain, the amount of this tax can hardly be objected to; more especially on an article so costly as plate-glass, the luxury of the rich, and the appropriate ornament of their splendid saloons. The great addition made to the duty on plate-glass in 1813, gave a decided check to the manufacture; which declined to 10,000 and to 6000 cwts. while the high duty continued. After it was reduced in 1820 to £3, the consumption increased, in 1821, to 9718; in 1825, to 15,082; and in 1828, to 28,722 cwts. The produce of the duty of 1820 has increased at the same time from £27,162 to £77,444 in 1838. The Excise Commissioners ascribe the decrease of production after 1813 to the rise of the duty; and its subsequent increase to its diminution from £4, 18s. to £3 per cwt. But it appears that a remarkable fall has taken place in the price of plate-glass to a much greater amount than the increase of the duty. It is stated by Mr

[1] Appendix to Thirteenth Report. Evidence of Thomas Cockburn, Esq., Governor of the British Plate-glass Company, p. 131.

[2] Appendix to Thirteenth Report. Evidence of Mr Cookson and Mr Cuthbert, No. 21, p. 107.

Cockburn, Governor of the British Plate-glass Company, that a plate of 96 inches by 60 can now be bought for £50, for which he formerly paid £214; to which fall of price, more than the increase of the duty, must be ascribed the increased consumption of plate-glass.

It is not so much the amount of the glass duties, more especially since they have been reduced on plate, flint, and bottle glass, that can be justly complained of, as the complicated restraints which they impose, and which are always found to stand in the way of improvement. The inequality of duties on the several branches of the glass manufacture, is a standing inconvenience; as it renders it necessary to protect one branch of the manufacture against the competition of the other. Flint-glass, for example, has always been subjected to a higher duty than green or bottle glass, being of a finer quality. It was provided that all articles of green glass should weigh at least six ounces, in order to prevent any interference with the smaller articles of the flint-glass. This restriction was injurious to the manufacturer of bottle-glass. But the inequality of duty produced still greater inconveniencies. It was found that, by the application of chemical skill, green glass could be so far improved as to rival the finer articles of flint-glass. Under the existing law however, no experiments for this purpose could be made. To improve the manufacture of this inferior glass, and to bring it into a competition with flint-glass, so long as the great inequality of duty continued, would have been unjust to the manufacturer of the latter, who would have

complained, with reason, that he was rivalled in the market by articles equal in fineness to his own, and yet paying a lower duty. But green glass could never have been improved if it would thereby have become liable to a duty of £4, 18s., or even of £2, 18s. per cwt. It could not have borne the burden of so heavy a tax; the reduction of which was therefore essential to the progress of the manufacture. The restrictions of the Excise, which prescribed the size of the melting-pots, which subjected to duty all the materials that were spoiled in the process, and still visited with heavy penalties every petty deviation from the Excise rules, were extremely unfavourable to any improvement in glass-making. Their injurious effect was fully exemplified in the case of a respectable manufacturer, which he himself stated in evidence to the Commissioners of Excise Inquiry. He had, it appears, succeeded by the application of chemical knowledge in so far improving the quality of green glass that it was nearly equal to flint-glass. Being seen by an officer of Excise, he denounced it as contraband; and having reported this contravention of the Excise laws to the Board, it was only through their lenity, and on giving up the obnoxious articles to be broken in pieces, that he escaped a prosecution: so that pains and penalties were the only fruits that this ingenious person was likely to reap from this exercise of his skill.[1] The present low duty no longer opposes the progress of the manufacture. But its repeal

[1] See Appendix to the Thirteenth Report of Commissioners of Excise Inquiry. Evidence of Frederick Fincham, Esq., No. 29, p. 112.

would nevertheless be an important benefit; and considering the restraints which it imposes on the makers, and on the exportation of glass, as well as its trifling produce, it seems scarcely worth while to retain this miserable remnant of an obnoxious tax.

Glass, which is applied to so many useful purposes, lends its aid also to the researches of science. But here, as in most other cases, the restraints of the Excise interfere with those great interests. It is required that glass which is used for optical purposes, should be of the same specific gravity throughout. Where this is not the case, the rays of light are refracted as they pass from one medium to another, of different degrees of density; and the same accuracy of observation cannot be attained. By pouring the melted glass into cold water, then grinding it into powder, and afterwards rapidly melting it, a more perfect mechanical mixture is obtained; and a repetition of this process two or three times, gives the glass that uniform density which is required for purposes of science. But this process is prohibited by the Excise regulations, which exact a duty on every new recasting of the glass; and the consequence is, that in the manufacture of optical glasses for lenses and telescopes, England has been rivalled in Italy, Germany, France, and Switzerland, where there are no restrictions, and where they can be equally well made and at less cost.

The following circumstance still further illustrates the injurious effect of the restrictions imposed: Among the other optical improvements that had been made in France, a species of lens was contrived for the use of lighthouses, of so great a refracting power

that it would penetrate several miles through a dense fog. But though this improvement was of such importance in a maritime country, the Commissioners of the Northern Lights, who applied to the plate-glass manufacturers of Newcastle for specimens of this glass, found that it would be an infringement of the Excise laws to make it of the thickness required. The heavy duty on flint-glass was £4, 18s., while that on plate-glass was only £3; and to protect the one against the other, the thickness of plate-glass was restricted to seven-eighths of an inch; otherwise to pay the same duty as flint-glass. The polyzonal lens, which was now to be introduced, was to consist of forty pieces of glass, and would weigh 200 cwts.: so that it could not have been made of plate-glass of the proper thickness without being subjected to a ruinous duty; and it seemed to be doubtful whether it could be made on any terms. It was therefore resolved to transmit the order to be executed by a house in France; and it was only in consequence of directions from the Treasury, specially dispensing with the Excise rules, that this discreditable course was prevented.[1]

The exportation of glass, which is an important branch of trade that might be still farther extended, is impeded by the regulations consequent on the in-

[1] See Seventh Report of Commissioners of Excise Inquiry, p. 11, Appendix, No. 26, pp. 103, 104. Evidence of Mr Cookson and Mr Cuthbert.

For farther information respecting the glass duties, and other restrictions of which the manufacturer complains, the reader is referred to the Thirteenth Report, which contains full details on the subject.

ternal duties, and by the mode of settling the drawback. On plate-glass the duty is levied on the weight, while the drawback is allowed on the square foot, at the rate of 6s. 6d.; and it was found that, under this law, sheet or crown glass obtained the drawback of 6s. 6d., which exceeded the amount of the duty paid. To prevent this fraud, a more marked distinction was given to those different descriptions of glass, plate-glass being prohibited from being made of a less thickness than one-eighth of an inch, and crown-glass of a greater thickness than one-ninth of an inch; and the internal manufacture was thus injured for the foreign trade. The exporters of crown-glass complain that no allowance is made for the breakage which takes place in the course of shipment; that they are subjected to stamp duties payable on the bond and debenture, and are cut out of other allowances; and that, consequently, the duty which they pay is not fully returned. The allowance on crown-glass, exported in small squares of not less than six inches by four, is £4, 18s. per cwt.; and is stated to be a full compensation for every charge. The flint-glass manufacturers complained that when the duty was 6d. on the pound, the drawback of 7d. was not a sufficient compensation for the loss by breakage in exportation.

On Paper.

Different modes of assessing the duty.—Regulations injurious.—Not enforced during the progress of the manufacture.—General outcry against the tax.—Not on just grounds.—Tax moderate.—Not injurious to literature.—No good reasons for reducing it.

Paper is chiefly used in the manufacture of books: a comparatively small quantity is required for the purpose of writing; and it is not consumed to any extent by the poorer classes. It may, however, be considered as the raw material of an important manufacture, and a fit subject only for a moderate tax. It was first subjected to an *ad valorem* duty in 1711, by the 10th of Queen Anne; and it was then classed into as many denominations as were to be found in the stationer's shop; to each of which different rates of duty were attached. In 1794, a more simple mode of assessment was introduced, according to the weight; five denominations only were retained; and the duty on the first class was raised to 2½d. per lb. In 1802, in consequence of the disputes which this classification occasioned, these denominations were reduced to two, namely, the first and the second class; the distinctions between the two being, that the second-class paper should be made of old ropes and cordage only, the tar or the pitch not to be extracted or separated, and to pay a duty of 1½d per lb.; and all other paper to be reckoned in the first class, on which the duty imposed was 3d. on the lb. This distinction between

those two classes was soon rendered nugatory by the improvements that were introduced, by which the act which imposed the duty, and fixed the materials to be used in the second class, was no longer applicable, and was, in consequence, generally evaded. All the irregularities which took place in consequence, were corrected in 1836, when one uniform duty of 1½d. was laid on all paper, without reference to the quality of the materials employed.

It was an objection to the late tax of 3d. per pound on paper, that it pressed unequally on papers of inferior quality, amounting on some of them to 200 per cent. The tax on printing paper, from which the revenue was chiefly derived, was, however, far from oppressive. When it was imposed, it did not amount to above 15 or 20 per cent. on the price; and it could not, as it did not in point of fact, materially hinder the manufacture of books. Yet no tax was ever more vehemently decried; not only by the dealers in paper and in books, but by theorists, philosophers, and politicians. From the outcry which they raised, it might have been supposed that this baneful tax had nipt in the bud all the opening flowers of British genius, and converted the fields of literature into a barren waste. Yet there never was a time when such a flood of literary works, old as well as new, by the best authors, issued from the press, as when this tax was in force; or were ever before so widely, because so cheaply, circulated. It was by lowering the price of books that the reduction of the tax was expected to give such a prodigious impulse to the progress of knowledge. But it

had no such effect. The price of books did not materially fall: all the most popular periodical works and magazines were sold at precisely the same price as before. The difference made in the original cost by the lower duty was so trifling, that it was not thought worth while to allow it in the price.

Since the conclusion of peace in 1815, the price of paper had fallen to the amount of about 50 per cent.; which would have counterbalanced any injurious effect of the tax, even though it had been to a greater amount: those who dwelt on the evil of the paper duties, amounting to 15 or 20 per cent., did not advert to the countervailing effect of this great fall of price, which, aided, no doubt, by the improving taste and increasing demand of the community for books, fully accounts for the rapid increase of the supply, and for the annually augmenting produce also of the paper duties since 1803, when the tax of 3d. on the pound was first imposed. An account is subjoined, for different periods, of the revenue yielded by the tax on paper, both before and after the reduction of the duty.

Net average produce of the duties on paper in Great Britain.

Period	Amount
From 1803 to 1812 inclusive,	£418,739
From 1812 to 1822,	512,513
From 1822 to 1832,	682,992
For three years, from 1833 to 1835,	788,626
From 1837 to 1842 inclusive, six years,	555,333

The increasing amount of the paper duties, if they had not been reduced, would probably have amounted to between £900,000 and £1,000,000. The annual

loss, therefore, by the reduction of this nowise oppressive tax, may be estimated at £450,000.

Stamp Duties.

The transference of property a source of revenue in all countries.—Levied by means of a stamp.—Extent of the stamp duties in Britain.—Not founded on any rule of equity.—Taxes on real property.—On bills and receipts.—On the succession to property.—Unjust distinction in favour of real property.—The legacy duties heavy and unequal.—Amount of these duties.—Taxes on insurance.—License duties.—Auction duties.—Duties on newspapers and advertisements.

The complicated concerns of a rich and commercial nation present many sources from which a revenue may be drawn; and these are quickly sought out by those who have the charge of providing for the public service. In most countries the transference of property by sale or by succession has yielded a revenue to the State. Such transactions afford peculiar facilities for taxation. They cannot be concealed; they furnish ample evidence of ability to pay; while the means of preventing evasion by voiding the transaction, where deceit is practised, are simple and effective. Those duties are generally levied by means of a stamp on the paper on which the transaction is recorded.

The same process, so efficient in its application to real property, has been extended, with equal success, to the transactions of commerce; and every description of pecuniary contract or bond, of which there

is a written record; every obligatory instrument in short; all bills or promissory notes, whether payable by demand or otherwise; all receipts, protests, indentures of apprenticeship; all inventories, or appraisements of property; every charter-party; all policies of insurance on lives, or from fire or sea risk; bills of lading; debentures for the drawing back of duties; letters of attorney; licenses to carry on certain professions; law proceedings; every grant from the crown of any dignity, of any lands or heritable subjects, or of any pension, privilege, or lucrative office; all newspapers, cards, dice; besides other matters which it is unnecessary to detail, have been subjected to taxation in this country, under the effectual penalty, in most cases, of invalidity, provided the tax is not paid. So easy a process for raising money was not likely to be neglected, where money was so much wanted; and, accordingly, the stamp duties have, in Great Britain, been extended to every description of mercantile business. They were resorted to at an early period; and, after being relinquished, they were revived in 1694. They have been since increased during every successive war in which the country has been engaged, more especially during the last protracted contest with France; and they have now reached that extreme point when they could not be farther increased, with any hope of additional revenue.

The duties on the conveyance of property consist of an *ad valorem* duty, and a duty on the deed in proportion to its length; which are found, from the frequency and extent of such transactions, to be

sufficiently burdensome. They are, besides, founded on no rule of equity. Property may remain for centuries with one proprietor; or it may change hands repeatedly in the course of a few years. This, however, is no reason for subjecting it to a tax. The necessities of the proprietor may compel him to sell; and thus a tax is imposed on him, which his richer neighbour escapes by retaining his land. There is, therefore, no equality in those duties. Chance seems to decide where they are to light. Hence, however ready a resource they afford, they must always be partial and unequal; and it is only in an advanced stage of taxation that they are generally resorted to, amid a choice of evils.

The letting of land, and the raising of money on land, or any other description of real property, by mortgage, are also subject to *ad valorem* duties, and to a duty besides on the length of the deed: and the first of these transactions being for the mutual benefit of both parties, affords a fair subject of taxation; but a tax on the borrowing of money, which is often a mark of distressed circumstances, is far from being equally eligible, and can be justified only by necessity. This tax extends to personal, as well as to heritable bonds, and to bonds of caution, and is heavily felt in those important transactions.

From the general severity of these duties, we may easily observe, as taxation progresses, how narrowly property is watched; and how, at length, it cannot shift its position without being immediately laid hold

of and brought under contribution. The net duty on deeds and other instruments amounted in

1836,	to £1,497,796	1840,	to £1,586,496
1837,	„ 1,450,815	1841,	„ 1,546,715
1838,	„ 1,542,388	1842,	„ 1,471,816
1839,	„ 1,577,232		

The taxes on bills, drafts, promissory notes, and receipts, chiefly affect commerce. In 1833, the duty on receipts, for all sums under £5, which was found to be extremely vexatious, and was mostly evaded, was repealed. The net produce of the tax on bills of exchange amounted, in 1841, to £545,637; in 1842 to £487,689; that on receipts, in 1842, to £158,559. The taxes on the succession of the living to the property of the dead, are far more oppressive than any of the other stamp duties, heavy as they are. It is only on personal property that this tax is levied; and the injustice of exempting land, the most valuable of all inheritances, from a burden to which other property is liable, has been long and justly complained of. No plea that is even specious, has ever been suggested for this partiality; and one of its worst effects is, that it gives a colour to the outcry that has been raised, however unjustly, against the general fairness and equality of British taxation.

The taxes on the succession to personal property, consist, first, of an *ad valorem* duty on the whole amount of the deceased's estate, of which an account, verified on oath, must be exhibited in the ecclesiastical courts; and of a farther duty, namely the legacy duty, from which only bequests from the husband to the wife are exempted. Bequests to children pay 1,

to brothers and sisters 3, to nephews 5, to grand-nephews 6, and to strangers 10 per cent. Those duties are remarkably heavy. They take effect, not on the income, but on the capital; and they give rise to frequent cases of severe oppression. The condition of a family, as is well known, is generally changed for the worse by the decease of the parent; and the peculiar objection to this tax is, that it is taken out of the inadequate means of the widow and her fatherless children. The parent may have saved out of his income of £500 or £600 a-year, £1500 or £2000; which, if he die intestate, is liable to a tax of £60; to a farther duty of 1 per cent., or £20, in descending to his children; and of £60 if left to nephews: by which it will be diminished £80 in the one case, and £120 in the other, which amounts to 6 per cent. on the whole capital. And if it should be necessary, in the division of the estate, to convert any part of it into cash, to the amount, we may suppose, of £500, it will then be met by the auction duty of 5 per cent., which will raise the expense to £145, about 7 per cent., to which the property is liable in its descent to its natural heirs, and to still heavier duties if they are more distant.

Those taxes are, therefore, exorbitant and oppressive: they are founded on no just or rational principle. So far from being imposed where there is ability to pay, it is on families left destitute by the death of the parent that they take effect; while landed property, to the amount of £10,000 or £15,000 a-year, descends to the lawful heir without paying any duty. The tax-gatherer is surely not the most

appropriate visiter to the abode of the widow; and it is a strange perversion of every principle to select such a season of affliction, and often of poverty, for the imposition of taxes. In every view, this tax must be condemned as contrary not only to every known rule of taxation, but to the common principles of humanity and justice.

The following is the net amount of the duty on legacies, and on probates and testamentary inventories in Great Britain, for nine years:—

Year.	Legacies.	Probates and Testamentary Inventories.
1834	1,209,739	864,393
1835	1,178,883	848,066
1836	1,171,452	861,046
1837	1,179,965	965,768
1838	1,282,001	872,190
1839	1,158,670	792,983
1840	1,174,360	860,844
1841	1,175,471	890,564
1842	1,223,562	828,462

Insurance transactions of every description have been subjected to heavy taxation in this country. In principle the tax on fire insurance is extremely objectionable, and being, besides, exorbitant in its amount, it impedes, and in many cases prevents, those transactions, however eminently beneficial to all concerned. In crowded cities, a sudden conflagration frequently consumes property to so great an amount as to involve the most wealthy in ruin, and still more those in the humbler walks of life. The mutual association of individuals for the mitigation of this evil, by dividing the burden, is one of those

social improvements of which the eminent benefit ought to receive the countenance of a wise and paternal government. But the exorbitant duty of 200 per cent., which is imposed on ordinary risks, tends to discourage all such transactions; and there is reason to fear that the expense of insurance frequently induces the humbler tradesman rather to encounter the hazard of fire. The injurious nature of the tax cannot, therefore, be doubted; but the doubt is, whether the British government, in its urgent demands for revenue, will ever dispense with, or even lessen, a tax which yields, with the other taxes on insurance, nearly a million yearly.

In 1833 the duty on the insurance of farming-stock was repealed, though no good reason was assigned for its exemption from a burden which attaches to every other description of property.

The following is an account of the produce of the fire insurance duties in Great Britain for the last five years:—

1836	£796,199	1840	£991,181
1837	822,871	1841	920,661
1838	852,372	1842	940,226
1839	881,664		

The tax on marine insurances, especially on the coasting trade, is not oppressive; nor does it seem to offer any material obstacle to trade. The greatest objection to the taxes on foreign insurance is, that they are merely nominal in other European countries, which induces the transfer of the business to foreigners, by whom it can be equally well managed, and at a cheaper rate.

Amount of duty on Marine insurances.

Year	Amount	Year	Amount
1836	£251,430	1840	£298,137
1837	222,377	1841	283,088
1838	250,590	1842	249,918
1839	291,515		

Among other expedients resorted to in this country for raising a revenue, taxes have been imposed not only on consumable articles, but also on a license to deal in them, or to manufacture them. Such a duty is peculiar to this country, and marks too clearly the public necessities, for the supply of which it is imposed. This tax is partial and unequal in its operation; but so numerous and varied are the burdens which press on this country, that a minister can no longer pick and choose among the articles which he shall tax. He must often take not exactly what is eligible, but what is productive. A license duty was imposed in 1784 on the manufacturers of certain articles, and the dealers in them, which has been gradually extended till the produce of these duties now amounts to nearly a million sterling. In 1841, it was £940,612; and in 1842, £923,190.

The sale by auction of landed property, annuities, ships, farming-stock, &c., was subjected, in 1777, to a duty of 3d.; and that of furniture, plate, jewels, horses, carriages, and other goods and chattels, to a duty of 6d. in the pound. Plate and jewels were afterwards rated at the lower duty. In 1797, those duties were raised respectively to 6d. and 10d., and in 1805, to 7d. and 1s. in the pound. From this duty there were numerous exemptions,—namely, all property sold by the warrant of any public court;

almost all foreign produce subject to a duty on importation; agricultural produce, in many cases; property damaged by fire, and sold for the behoof of the insurers; besides other exemptions of less importance. The whole amount of the auction duty was, in 1807, £265,987; in 1811, 1812, and 1813, it rose to £383,894, £337,847, and £344,572; from which it declined, in 1834, to £234,051.[1] In 1842, its amount was £277,873, nearly about the same as in 1807. Its produce, therefore, does not appear to have increased with the business of the country; which affords a conclusive argument against the amount, if not against the principle of the tax.

Newspapers.

There is no branch of business which has improved more remarkably with the progress of the country than that of the periodical press. Newspapers, when they were first published, were not above a tenth of their present size, and meagre in their details. As their business increased with the wealth and commerce of the country, they were improved in size, and still more in the talent and intelligence with which they were conducted; and the practice of reporting the debates in parliament, which was begun during the American war, added prodigiously to their interest, and to their circulation. The important

[1] Appendix to the Twelfth Report of the Commissioners of Excise Inquiry, pp. 22, 23.

events which followed the opening of the great revolutionary drama in France, of which they were necessarily the chroniclers, gave them a still further impulse, notwithstanding the additional taxes to which they were then subjected; while they rose, also, into importance as vehicles of mercantile intelligence, from the number of advertisements which, with the increasing transactions of the country, began to crowd their columns. A modern newspaper, accordingly, presents quite a different aspect from the diminutive publications of former days. With the necessary funds for the reward of talent, it contains a well selected store of intelligence from every quarter. In its broad page is concentrated the whole multifarious business of society. It is a chronicle of domestic life, and of existing manners; a true picture of the "world's debate," with all the varying colours which the passions, prejudices, and controversies of the passing day cast upon the troubled scene; and whether for business, or the amusement of a vacant hour, is in universal request. On such an article a moderate duty may be imposed; but it is not a fit subject for a heavy tax.

A stamp duty on newspapers was first imposed during the reign of Queen Anne, which was gradually increased in the course of the different wars in which the country was engaged. In 1797, it was raised from 2d. to 3½d., and afterwards to 4d., with a discount of 20 per cent., reducing the duty to about 3½d., while the price was restricted to 7d. This was an exorbitant tax on an article necessarily expensive, and in such general demand; amounting to

about 100 per cent. on the original cost, which considerably narrowed the circulation of newspapers. The produce of the low duty of 2d. amounted, in 1797, to £154,422. The exorbitant duty gave rise to a contraband trade, which no vigilance could suppress. Newspapers began to be circulated in all quarters without a stamp; and the only remedy for this evil was found in the reduction of the duty from 3½d. to 1d., which took place in 1836. The circulation of newspapers has since greatly increased; but not to such an extent, though daily progressing, as to make up for the reduction of the duty, as will appear from the subjoined account of its produce before and after the reduction of the tax:—

1826	£371,497	1839	£220,446
1836	335,264	1840	225,686
1837	201,621	1841	225,086
1838	204,590	1842	235,780

The duty on advertisements in newspapers was reduced, in 1833, from 3s. 6d. to 1s. 6d. The following is the net amount of the duty for three years before and after the reduction, and of its produce for the last five years, from which it appears to be gradually increasing; so that it may be, in time, expected to equal its former produce:—

1831	£157,481	1838	£111,899
1832	156,898	1839	115,284
1833	155,400	1840	121,422
1834	84,422	1841	121,744
1835	88,440	1842	117,056
1836	98,336		

CHAPTER V.

DIRECT TAXES.

Early resorted to in this country.—Tax on houses—on windows.—Progress and amount.—Taxes on Carriages—on Horses—on male Servants.—Progress and amount.—Reductions.

DIRECT taxes, which raise a revenue without the intervention of any consumable article, were introduced into this country in 1696, when a duty was laid on houses and windows, which was gradually increased in the course of the last century. In 1779, it was raised to 6d. in the pound on all rents between £5 and £40; to 9d. on rents above £40 and under £60; and to 1s. on all rents of £60 and upwards; which was increased, in 1798, to 8d., 1s., and 1s. 3d.; and finally, in 1802, to 1s. 4d., 2s., and 2s. 6d. in the pound, on these several rents. The duty on windows was, in like manner, progressively increased; and, after successive additions, was raised, in 1808, from 6s. in England, and 4s. in Scotland, on a house with six lights, to £93 on 180 windows, and in a like proportion where the number was smaller; and was increased 2s. 6d. on every additional light.

The heavy pressure of these taxes on the middling classes was frequently complained of; and the inquisitorial visits of the surveyor for the assessment of the window duty, occasioned, at different times, no small annoyance. They were substantially taxes on the proprietor's income, of which his house was supposed to afford a sufficiently fair criterion. The

house tax amounted from 6¼ to 10 and 12½ per cent. on the rent, and the duty on windows from 8 to 10 and 12 per cent. The amount of both, on the lower rents, was about 15, and on the higher rents about 20 and 25 per cent. These taxes were neither unjust nor unequal; but they were oppressive from their amount, and should have been selected for repeal or reduction with the first surplus of revenue that appeared after the restoration of peace. They imposed a much heavier burden than the tax on beer, on leather, on pepper, or on any of the numerous imposts which were reduced or repealed after the termination of the war. They were, however, retained, somewhat pertinaciously, until the popular outcry which they excited, compelled the reduction of the one and the repeal of the other.

The duty on windows was reduced one-half from the 5th April, 1823. Amount in the three previous years, and in the four years ending in 1842:—

Year	Amount	Year	Amount
1820	£2,564,308	1839	£1,298,622
1821	2,560,721	1840	1,404,642
1822	2,554,413	1841	1,664,052
		1842	1,569,344

The house duty was repealed in 1833. Amount in the three previous years:—

Year	Amount	Year	Amount
1830	£1,435,431	1832	£1,491,472
1831	1,460,170		

The taxes on carriages, horses, male servants, dogs, armorial bearings, licenses to wear hair-powder, and to kill game, comprise chiefly the luxurious expenses of the rich. The tax on carriages, which was first imposed in 1747, of £4 on every four-

wheeled, and £2 on every two-wheeled carriage, was gradually increased in proportion to the number of carriages; and in 1802, after the scheme for tripling the assessed taxes was superseded by an income tax, it was raised to £12; in 1812, from £10 on a single carriage to £15, and to £18 each, on nine carriages. This tax, with the duty also on horses and carriages and male servants, was reduced one-half from 5th April, 1823. The following is the amount of its produce in the three years preceding its reduction, and in 1842:—

1820	£534,551	1822	£558,187
1821	545,387	1842	442,880

A yearly duty was imposed, in 1784, of 10s. on each horse, and on each dealer in London of £10, and of £5 in the country. In 1798, the duty was raised from £1, 4s. on a single horse, to £2, 15s. each, where they amounted to twenty; and the scale was increased, in 1801, 1802, 1805, 1806, 1808, and finally, in 1812, to £2, 17s. 0d. on a single horse, and to £6, 12s. on each, where they amounted to twenty. The produce of the duty is subjoined for three years before its reduction, and its amount in 1842:—

1820	£685,250	1822	£664,768
1821	679,830	1842	319,570

The duty on horses employed in husbandry amounted, in 1820, to £191,914. It was reduced, in 1821 and 1822, and amounted, in 1842, to £68,610.

A duty on male servants was first imposed in 1777, of 15s. on each: in 1782, 5 per cent. was added. This duty was, at different times, progres-

sively increased. In 1798 it was raised from £1, 10s. on a single servant, to £4, 16s. each on eleven servants; in 1802, to £2 on one, and to £6, 6s. on eleven; in 1805, 10 per cent. was added; in 1808 the scale was raised to £2, 4s., and in 1812 to £2, 8s. on one servant, and to £7, 11s. each on eleven servants. Produce before and after it was reduced a half in 1823:—

1820	£576,146	1822	£580,732
1821	580,349	1842	205,727

Income or Property Tax.

First imposed in 1798.—Rate on income.—Provisions for levying it.—On commercial and professional income.—On income from land.—Progress and amount.—Tax specious in theory.—Difficult in practice.—Inquisition into the private affairs of individuals unavoidable.—Inconsistent with the spirit of freedom.—Property tax of 1806 abolished in 1816.—New tax on property in 1842.

In 1798 when, in order to check the farther augmentation of the public debt, it was resolved to raise part of the supplies within the year, the house and window duties, with the assessed taxes, were tripled; and where they amounted to £30, £40, and £50, they were increased four and five fold. This was a bold experiment in finance, which paved the way for the direct tax on property, by which it was superseded in the following year. This tax on income, or property, imposed on every income of £60 a contribution of 10s., or the one hundred and

twentieth part, which was gradually increased to a tenth part on all incomes of £200 and upwards. This tax was repealed in 1802, after the peace of Amiens. It produced annually about £5,500,000.

A new tax on income was imposed in 1803, when the war was renewed with France, which rose from 3d. in the pound on an income of £60, at the rate of 1d. in the pound for every £10, to its maximum of 5 per cent. on £150 a-year. The estimate of the farmer's profit was now raised in England, in all cases, to three-fourths, and in Scotland it was fixed at one-half of his rent. In 1805, one-fourth was added to the rate of contribution; and in 1806, it was raised to 10 per cent. by a new act; and all income arising from property, whether in land or in money, however small, was subjected to a contribution of one-tenth.

An equal tax on income is liable to no objections, if it could be fairly assessed. But it is here where the difficulty lies; 1st, in adjusting an equitable scale of contribution for the larger and the smaller incomes, and for those, also, which arise from the rent of land, or from the more uncertain profits of a trade or profession; and, 2dly, it is scarcely possible to check the evasion of the tax, without such a strict inquisition into the affairs of individuals as must always be repugnant to the habits of a free people.

I. A tax which takes the same rate from all incomes, high and low, imposes, with a show of equality, an unfair burden on the smaller incomes. A rich landlord, or merchant, with £10,000 a-year, could spare, with little comparative hardship, a pro-

portion of his ample income, which, if taken from £300 a-year, occasions a sacrifice of comforts, and even of necessaries; and finally reduces its proprietor to an inferior mode of living, and a lower rank in society; and on a smaller income of £60 a-year, the hardship is still greater. The rate of contribution ought, therefore, to vary with the means of the contributor, and to rise to its maximum among the highest incomes. In the urgent necessities of the State, however, when revenue must be obtained by whatever means, the taxes which are efficient will always be preferred to those which are nicely just. The distinction between the income arising from property, and the more precarious profits of a trade or profession, was recognised in the property tax of 1806: for the purpose, however, of levying an increased rate, not on the higher, but on the lower incomes, the smallest of which was now subjected to an equal rate of contribution with those of the richest landlord; by which a heavy and unequal burden was imposed on limited incomes that were derived from property.

The property tax fell heavily on the rent of land, which could not be so well concealed as the profits of trade. All the inquisitorial machinery with which the tax was provided, often failed to drag out mercantile profit from its hiding-place. But a simple inspection of the tenant's lease was all that was necessary to ascertain the landlord's income; which was accordingly assessed to the last farthing. The profit of the tenant, which was estimated at three-fourths, in England, or half of his rent, in Scotland, and could be

ascertained with equal accuracy, was, in many cases, greatly overrated. A tenant may be prospering on his farm, or his circumstances may be declining—of which, towards the conclusion of the French war in 1814, there were too many examples; and the same peremptory rule indiscriminately applied, while it favours the wealthy and the prosperous, must be deeply injurious to those who are already struggling with high rents and fluctuating prices. At the renewal of the lease, the property tax of the tenant necessarily forms a deduction from the rent. It is clear that this tax will be estimated among his other expenses by the farmer, who will, in consequence, bargain for a lower rent. The landlord's share of the produce is the surplus which remains after paying all the expenses of cultivation. An increase in those expenses diminishes this surplus; and hence, no tenant, in entering on a new lease, could offer so large a surplus as before he was burdened with this new expense. Under the operation of this tax, therefore, the proprietor is doubly assessed: he has to pay not only his own, but also his tenant's property tax in the deduction of rent, which the latter will ultimately claim, and will be allowed on this account.

The inquisitorial nature of this tax has been heavily complained of. Without, however, a strict inquisition into the affairs of individuals, no income tax could ever be fairly assessed. Even where it is moderate, and still more where it amounts to a tenth of the income, it holds out an irresistible temptation to concealment and fraud; and it is well known that,

in this country, both in 1798 and 1806, it was evaded to a great extent by mercantile income; while it fell with unsparing severity on the rent of land, on funded property, and on other incomes, the amount of which could not be concealed. It was to guard against this inequality that the rules for ascertaining mercantile or professional income were so severe and arbitrary; and that to enforce them, an irresponsible tribunal of commissioners was appointed, with power to summon before them mercantile men or others, for the purpose of extorting, by cross-examinations, by an appeal to their oaths, or by threats of surcharges and penalties, an unreserved disclosure of their affairs. These inquisitorial proceedings, arbitrary as they are,—a practical inroad on the rights of freemen, to which there is no parallel, even under the most absolute governments in Europe, and truly an anomaly in a country long famed for its love of liberty,—were, nevertheless, essential to the just and equal assessment of the tax; though they still form the great objection to all such imposts, especially in a free country. It is not in mere forms that liberty consists; and if the people suffer under arbitrary taxation, of what moment is it that they owe the obligation to representatives chosen by themselves? Necessity, an over-ruling necessity, is the only plea on which an income tax can ever be justified; and it was entirely on this principle that it was submitted to in 1798 and 1806. The people were persuaded, in consequence of the ill success of the war, that their independence was threatened by the over-grown power of France; and they preferred

any alterative, however grievous, to the risk of a foreign yoke. But these fears vanishing with the successful conclusion of the contest, they rebelled against the obnoxious tax. Ministers would fain have persuaded them, that its produce was necessary to wind up the accounts of a long and an expensive war. They were most unwilling to part with so convenient an instrument of revenue. But it was wrested out of their reluctant grasp by the unanimous and impatient voice of the aggrieved people. It was abolished in 1816. Its produce amounted, in the year ending April 1815, to £15,298,982.

During the long interval of peace which succeeded the wars of the French Revolution, Great Britain, along with other European States, reduced her expenditure; and her revenue still improving, began to yield annually a surplus, which was laid out in the repeal or the reduction of taxes. This prosperous state of the finances continued till about the year 1835, when, owing to the diminished produce of the existing taxes from various causes, and to the increased expenditure at the same time, occasioned by the necessity, real or supposed, of augmenting the warlike establishments of the country, by the insurrection in Canada, and the wars undertaken in the East, for the chimerical purpose of propping up the decaying empire of Turkey, an annual deficit appeared in the annual accounts in place of a surplus. To supply this deficiency, new taxes were imposed, which being unproductive, recourse was had, in 1842, to a tax on income, to be continued for three years. This tax levied 7d. in the pound, or nearly 3 per cent. on all incomes of £150, and upwards.

When the income tax was first imposed in 1798, the country was involved in a war which was wasteful beyond all former example. The annual expenditure often exceeded the income by about twenty or thirty millions; an alarming increase of debt was the consequence, which it was necessary to check for the maintenance of the national credit; and the bold measure was accordingly devised, of raising part of the supplies within the year, in place of borrowing the whole, and imposing taxes for the payment of the interest only. It was in this necessity that the first income tax had its origin. In 1842, the same necessity did not certainly exist; the excess of expenditure, in place of twenty or thirty, did not amount to more than three or four millions a-year. Still it was necessary to check this growing deficit; and with this view, an income tax was resorted to, at the lower rate of 3 in place of 10 per cent.; while all incomes under £150 were exempted, which was an important and a humane improvement. The provisions for assessing the tax were necessarily strict and severe; and hence, it has been suggested, whether an adequate fund for the supply of the public necessities might not have been obtained from other sources,—namely, from the reimposition of the most productive of those taxes, to the amount of about sixteen millions a-year, which had been reduced, or repealed, since the termination of the war. An estimate of the probable amount of these is subjoined:

Of the tax on	Beer,	£3,000,000
"	Leather,	600,000
"	Houses,	1,200,000
"	Windows,	1,200,000
One half on Servants and Carriages,		500,000
"	Horses,	200,000
		6,700,000

Of these, the taxes on beer and leather were extremely light and productive. The duty on houses and windows was more heavy; but it was still preferable to a tax on income: being, indeed, a species of income tax without its inquisitorial powers. If an adequate revenue could have been drawn from those duties, they would probably have been less unpopular than the tax on income. But the minister who was responsible for the maintenance of the public credit, preferred the tax that could be more surely depended on, to those which would have been more uncertain in their produce, though more popular, because more easy.

The produce of this tax amounted, in the year ended 5th January, 1844, to £5,249,260.

Post-office.

Its importance to society.—Established for the convenience of commerce.—The rates exorbitant.—Original cost inconsiderable.—Hardship of the tax on the poor.—Increase of the revenue checked by the extravagant rates.—Contraband intercourse.—Mr Hill's plan adopted.—Its popularity.—Loss of revenue.

The business of the Post-office is, in all countries, a public charge, and is a source of revenue to the government; nor is there any just objection to a

moderate and equal rate of postage. But, on the other hand, no tax can be more truly oppressive where it is exorbitant, as was formerly the case in this country. A cheap and easy intercourse, by letters, is one of the greatest advantages that can be conferred on society. It is essential to all its great interests: to trade, to science, and to literature; while it tends to promote and enlarge all social ties. There is no branch of the public management which affects so deeply the whole business of life, and which it is essential should be judicious, and well considered.

The Post-office in Britain was originally established in the reign of Charles II., for the convenience of commerce. But, in the course of the wars in which the country was involved, its revenue was soon diverted to the public service, and the rates were gradually raised to the amount of about 700 or 1000 per cent. on the original charge: an exorbitant tax in any case; but, where it affected so deeply all the various interests of society, entirely without excuse. The error of those extravagant rates of postage is now generally admitted. The cost of transmitting letters is trifling; not amounting, between London and Edinburgh, a distance of about 400 miles, to a penny per letter. The number of chargeable letters that passed through the post-offices in Britain was, in 1836, 54,634,920; in 1837, 58,224,840; the average rate of postage was 10d., including the two-penny post letters,[1] of which the greater part, being a tax, ought to fall equally on all letters.

[1] See Appendix to Report of Select Committee on Postage, p. 434.

Every letter must, of course, be charged with the expense of carriage, which increases with the distance. But there is no reason why a letter that comes from a distance, after paying this necessary charge, should also be heavily taxed. On the contrary, the distance is rather a reason for diminishing all the other obstacles to the correspondence. It is, however, by this erroneous standard that the rates of postage were formerly regulated in this country, and that they were raised at last so high as to restrict all correspondence, except on urgent business, even between the nearest friends. These high rates imposed almost an entire embargo on the correspondence of the poor, who were frequently unable to pay the expense of letters from distant friends, as was fully proved before the Select Committee appointed, in 1839, to inquire into the Post-office rates. Postmasters were often induced, from motives of compassion, to give out the letters on trust; but they were, in most cases, retained or returned to London, for non-payment of the postage; and the misery of near relations, when they could not redeem from the Post-office, letters containing the long-expected effusions of absent affection—tidings, perhaps, of the battle, and of the soldier's fate, *mors aut victoria læta*—was calculated deeply to impress on those who witnessed such painful scenes, the peculiar hardship of this tax.[1]

[1] In the course of the last war this evil was redressed. Letters from soldiers and sailors, in the public service, only paid the moderate postage of one penny. But, in former times, the scenes alluded to were frequently witnessed.

The revenue of the Post-office, owing to these extravagant rates, has not advanced with the progress of the country. The net produce, on the average of six years, from 1815 to 1820 inclusive, was £1,386,536; from 1832 to 1837, £1,364,912. The net produce, in 1838, was £1,525,000, and in 1839, £1,519,000; which was only an increase of about £130,000, or one-tenth on the income of nineteen or twenty years, though the population had, in the meantime, increased from twelve or thirteen to about eighteen millions; and the intercourse in a still greater proportion. An illicit trade is the sure consequence of excessive taxation; and it was now commenced in this country, and could neither be checked by the vigilance of the Post-office, nor by the heavy penalties to which it was liable. The legal channel being narrowed by the high rates of postage, the correspondence of the country overflowed into other channels, by which letters were despatched to all parts of the kingdom. They were sent by stage-coaches, vans, steam-boats, by railroads, in parcels, in boxes; and, in some parts of the country, regular carriers were known, in some degree, to supersede the intercourse by post. It was in vain that the offenders were threatened with pains and penalties. They still pursued their profitable trade; and the only sure remedy for those abuses appeared to be a lower duty, and, of course, less temptation to violate the law. The uniform rate of one penny on all postages, without regard to distance, was, accordingly, suggested by Mr Hill; a scheme, startling from its boldness, yet original and ingenious, and, when ex-

plained in detail by its author, found to be the only practicable remedy of this serious grievance; and it was so warmly supported by the mercantile classes, that it was finally adopted in 1839, the postage being reduced first to 4d., and afterwards to 1d., on all letters. The reduction of this heavy and ill-regulated impost was of the greatest benefit to the community. Other taxes, that were light and yet productive, were sometimes repealed, with little benefit to the community; but the increased facility of correspondence, the result of this measure, was an unspeakable advantage to all classes, and gave an impulse to the whole business of life. The defalcation of revenue which it occasioned, to the amount of about a million, which could be but ill spared, and which was greater than was anticipated in the over-sanguine calculations of its promoters, was the only drawback by which it was followed. It was expected that the produce of the lower duty, from the increased number of letters, would not fall far short of its former amount. But this proved to be an error. The letters no doubt did greatly increase from fifty-four and fifty-eight millions, their amount prior to the reduction of the postage, to three hundred and fifty millions in 1842; which, however, at a penny per letter, gives a much smaller revenue. The following is the account of the net receipts of the Post-office from the reduced rates:—

Net revenue in	1840	£441,000
,, ,,	1841	455,000
,, ,,	1842	605,000

The reduction of postage, however, and the increase

of letters, was followed by an increase in the charge of management from £647,527 in 1839, to £838,902 in 1842.[1] The number of letters, and the revenue, of course, from the lower duty, will, no doubt, continue to increase, though it cannot be expected to rise to its former amount. But the advantages of the reduced postage are so great, that they are cheaply purchased by this sacrifice, while the deficient revenue may be supplied from less exceptionable sources.

CHAPTER VI.

The nature and peculiar advantages of commerce.—The division of labour its foundation, and the great source of national wealth.—The free exchange of produce its necessary consequence.—Essential also from the diversity of soil and climate.—Effects of commerce in increasing the luxuries of a nation.—Bounties and protecting duties.—Their impolicy.—Commercial code of Britain.—Restrictions which it imposed on manufacturing industry at home.—On foreign produce and goods.—The colonial trade founded on monopoly.—The domestic industry of the colony held in the same thraldom as that of the mother-country.

THE taxation of Great Britain has been hitherto considered with a view merely to revenue, its proper and legitimate object. But it has been used also as an instrument of monopoly; protecting duties, or prohibitions, having been imposed on the importation into this country of foreign produce, whether of land or labour, for the encouragement of domestic in-

[1] See Finance Accounts for the different years, pp. 51 and 59.

dustry; while the exportation of British produce has, on the same principle, been encouraged by bounties. The taxes which have been imposed, for this purpose, present an extensive subject of investigation, which it is now proposed to pursue, and which will comprehend, 1st, A general inquiry into the nature and peculiar advantages of trade, and how far it can be promoted by bounties, or protecting duties; 2d, An account of the different measures that have been introduced by modern statesmen for improving the commercial policy of Great Britain; and 3d, The duties imposed for the protection of agriculture, will next claim to be fully considered.

The maxims by which commerce was formerly regulated, have been rejected in modern times as the errors of a rude age. It is no longer considered to be a proper object of legislative interference; it is found to flourish most where it is least meddled with; and a general view of its nature and peculiar advantages, which will best illustrate the nature and effect of bounties and protecting duties, appears strongly to bear out the same conclusion.

The foundation of commerce is laid in the division of labour, and in that diversity of soil and climate which prevails in different countries. The division of labour, which confines each individual to his respective calling, is one of the main sources of national opulence; as he acquires in that particular line a much greater degree of dexterity than if his attention were distracted among a variety of different employments; and the joint labour of the whole country, thus skilfully managed, yields, in consequence, a more valuable return. But it is evident that a free exchange of pro-

duce is a necessary sequel to this judicious direction of the national industry. The different classes of labourers, the tailor, the butcher, the baker, pursuing each his own trade, have necessarily on hand more of their own particular commodity than they can use. This inequality can only be rectified by a free exchange, by which they are all severally supplied with what they want, in exchange for that of which they have a surplus; and the exchange that thus takes place between the different dealers, is an epitome of the general commerce that prevails in the world. In the progress of industry, parishes, counties, and nations, attach themselves to particular employments. As capital increases, and the market extends, the division of labour is carried to a greater extent; mechanical art is improved in all its branches; the productive powers of industry are enlarged by the aid of machinery; extensive manufactories thus arise, of which the produce, exceeding the demand at home, seeks an outlet in the extended market of other countries. The great advantage of this extension of trade is, that it gives to industry a wider range for its productions; it allows a greater division of labour than is consistent with a narrower market, and enables a nation, by more skilful management, to draw from its land and labour a more valuable return; not only to diversify, but greatly to increase its stock of those conveniencies and luxuries which constitute wealth. The growing abundance, and reduced price of all goods which is thus brought about, is precisely the process by which national wealth is augmented, and the condition of all classes improved; and the same free exchange which takes place between individuals in consequence

of the division of labour, is also rendered necessary between nations, by that diversity of soil and climate which leaves with each a surplus of its own peculiar produce, and a deficiency of the produce of other climates. It is by a free exchange that these inequalities are corrected; that the bounties of Providence are distributed in a fair proportion among all nations; and that in one spot is concentrated, by means of trade, the diversified produce of the earth. It is trade which brings to northern countries all the varied luxuries of more favoured climates; which spreads the festive board with wine, the most precious cordial and restorative which the earth produces; with tea or coffee, the favourite luxuries of every class, brought from the remotest parts of the earth; with spiceries of all kinds; and with numerous other articles of luxury or use. It is by means of trade that the national stock of northern countries is enriched with all the rare and delicate productions which are matured under a tropical sky; with the vegetable oils, in all their variety; with balsams, perfumes; many rare herbs, precious in the healing art; with fragrant essences, which recruit the shattered nerves; and with all that is ornamental either in dress or furniture.

Trade being in this manner a free exchange among nations, or among individuals, of their respective produce, it is clear that all devices for its encouragement which impede this free exchange, whether they be bounties bribing foreigners to buy, or protecting duties hindering them to sell, must be prejudicial to its true interests. The only encouragement which

trade requires, is a free market for its produce, in which the best articles will always command a ready sale. This is the true incentive to industry and skill; and it is to thwart this natural arrangement, and to discourage the sale of such articles, that bounties are given, or protecting duties imposed. It is to countervail the superiority of the skilful workman, or the natural advantages of climate, that his goods, or the produce of particular countries which is cheaper and better than any other, are loaded with duties, that their sale may be impeded by an artificial rise of price, and that the consumer may be compelled to buy the produce of domestic industry, though dearer and inferior in quality; and bounties are founded on precisely the same principle. Their object is, in like manner, to force the sale of inferior articles, and, with this view, to make up out of the public purse to the seller that remunerating price which he could not obtain from their sale in a free market. This, then, is the nature of bounties and of protecting duties. It is not against violence and injustice that protection is sought, but against ingenuity and skill. Protecting duties, as well as bounties, are imposed for the benefit of the ignorant and incapable; and it is because they are ignorant and incapable that they require either bounties to encourage them, or duties to protect them. Where the workman at home, or the climate, furnishes a better article than can be got from abroad, no protection is required. It is only where the home are inferior to the foreign articles, and, therefore, do not sell, that it becomes necessary, by means of protecting duties, or by bounties, to force

a sale; by which we tax the many for the benefit of the few, depress ingenious industry, and actually hold out a bounty on indolence and rapacity. To buy cheapest, and to sell dearest, is the inalienable privilege—the Magna Charta of commerce, which repudiates all interference between the buyer and the seller. Such manufactures as cannot stand their ground without protection, should be left to their fate; and, if they should decay, the capital and industry which they employed will flow naturally into other and more profitable channels.

The commercial code of Great Britain presents a continued violation of those clear, and now undisputed maxims. Her ancient policy, like that of the other European States, was founded on monopoly. Her import duties were framed on this narrow notion, that it is profitable to sell and not to buy, though wholly inapplicable to the concerns of a great nation, and entirely at variance with the principles of trade, which is promoted by competition, and by the freest exchange between nations as between individuals. The produce of labour, as well as the produce of land, was accordingly protected against foreign competition, either by prohibitions or by heavy duties." The minute restraints that were imposed on the free exercise of industry by the legislators of those days, are absurd, vexatious, and impracticable. No satirist, indulging his genius for caricature, could have imagined anything more ridiculous than many of these officious interferences, not only with the freedom of trade, but with the concerns of private life. Numerous and complicated statutes regulated all the staple

manufactures of the country: such as linen, woollen, and silk; the exact lengths and breadths of the cloths; the mode of sorting the yarn, and of weaving it; the weaver to give security for weaving according to law. The bleaching of linen was placed under the charge of the magistrate, who might summon the servants employed to give information, if any breach of the law occurred in carrying on the business; and the restrictions by which the silk trade was regulated, were numerous, absurd, and truly mischievous. The manufacture of stockings was regulated in the minutest points of shape and size; also the making of hats. Not merely the importation, but the wearing of any article, which could interfere with the sale either of silk or woollen goods, was forbidden by numerous laws. There are no less than four severe and solemn acts proscribing, for the benefit of the silk manufacture, under heavy penalties, the weaving, or the making "of any button, or button-holes of cloth, serge, drugget, or other cloth;" and as this act had been evaded by the unforeseen practice of making and binding button-holes with cloth, serge, &c., a subsequent act extends the penalty to the wearer of those dangerous buttons. The wearing of any printed, stained, or dyed calico, was prohibited under a penalty of £5, to be given to the informer; cambrics and French lawns under a like penalty of £5, to the informer; to which penalty, any milliner making up the prohibited articles was liable. Examples without number might be multiplied of the same mistaken interference by law in matters that can only be regulated by the discretion of individuals.

The trade of the colonies has always been strictly monopolized for the benefit of the mother country, and their domestic industry was held in the same thraldom. The length to which this commercial tyranny was carried is hardly credible in the present day. The exercise of mechanical industry was rigidly proscribed in all her dependencies by Great Britain; acts, innocent, and even praiseworthy, as conducing to the general prosperity, were treated as crimes, and branded with disgrace, in the suicidal code of monopoly. The same spirit which at home classed the exporters of wool with felons, ruled the commercial concerns of the colony. The settlers were hardly allowed to fashion their own produce for use after the rudest methods. They were encouraged to till the ground, but prohibited from manufacturing its produce, on which British industry was to be employed at home. The exercise of mechanical skill was prohibited by fines and penalties—the rewards, under this perverted system, of ingenious industry. Manufactures seldom flourish in a new colony; being retarded by the want of capital, and the high price of labour. Yet, when they first began to make their appearance among the active and enterprising colonists of North America, the rich merchants of Britain took the alarm, and, with a malignant jealousy, they used all their influence to blight those early fruits of successful industry; they demanded, and obtained, from the legislature, penal laws for the purpose of crushing the rising trade of their own colonies; and acts were passed, proscribing such manufactures, under heavy

penalties, as in any degree interfered with the industry of the mother country. The making of hats was prohibited; every forge or furnace for smelting iron was declared to be a "common nuisance"; to be abated on complaint to the governor; who, on refusing to act, incurred a penalty of £500. Many other examples might be given of the same narrow spirit. The remnants of this barbarous injustice yet linger in the modern code of Britain; which still prohibits, by heavy duties, the West India planter from refining his own sugar, which is accordingly brought to this country in British ships for behoof of the refiners at home.

CHAPTER VII.

Progress of commercial reform.—Early prejudices on the subject of commerce.—First dispelled by the work of Dr Smith.—Change which it effected in the policy of States.—Commercial treaty between Great Britain and France.—Other restrictions still maintained.—Exclusion of America from the colonial trade.—Retaliation of America.—A treaty of reciprocity concluded.

THE narrow and fallacious maxims on which was founded the early legislation of Great Britain, and which proceeded on the notion of promoting trade by restraint and regulation, were faithfully transmitted to succeeding times; and, until a late period, they regulated the commercial policy of this, as of most other European countries.

The prevailing ignorance was first dispelled by the great work of Dr Smith; whose genius, ranging from a higher elevation, comprehended at one view the true relations of the subject; and boldly entering on this new field of speculation, propounded those great and original doctrines, which cast an entirely new light on the subject. To him belongs the rare merit of founding a school of practical philosophy, in which are taught important truths that deeply affect the great concerns of society. He has refuted errors and prejudices, firmly rooted and of long standing—the source of many bad laws; and with a force and clearness of reason that approaches to scientific demonstration: so that it seems often doubtful whether most to admire the weighty truth, or the simplicity of the process by which it has been brought to light.

The work of Dr Smith produced a gradual change in the opinions of mankind, and in the policy of States. His enlightened views were adopted by several distinguished statesmen in his own country; among others, by Mr Pitt, who reduced them to practice in the commercial treaty which he concluded with France in 1786. The object of this great measure was to promote the prosperity and peace of two nations, by whose wars Europe had been so often disturbed. Great Britain and France had been for centuries before, rivals and enemies; and their commercial policy was tainted by the same spirit which prompted their unhappy wars. They were never thoroughly at peace with each other; the intervals of peace which occurred were never improved

in the spirit of peace: the war of arms was invariably succeeded by that of commercial restrictions; insomuch, that though they possessed the materials of extensive commerce, the one abounding in all that art and industry can supply, and the other in the finer productions of a more favoured climate, their trade was almost entirely obstructed by the prohibitory duties which their mutual jealousies imposed. The new treaty was diametrically opposed in principle to the whole previous policy of the country. Its object was to remove restrictions, and to unite the two countries in the bonds of amity and peace; and its illustrious author, accordingly, reprobated with indignation the odious doctrine, that the two nations were or could be the natural enemies of each other, and expatiated in all the pride of lofty eloquence, on the opposite tendency of the measure which he proposed, which was to calm those mutual animosities that had so often broken forth in cruel wars, to the disgrace and injury of both countries.[1]

[1] The name of Mr Fox, the friend of freedom and of peace, is conspicuous among the opponents of this great and wise measure; for which no better ground is assigned than general hostility to France, on account of the ambition, tyranny, and *Punica fides*, which it was long the fashion for British politicians, in their anti-national zeal, to urge against that power. Such is the baneful influence of party spirit on the greatest minds. It is gratifying to observe that, in the present day, though the jealousies of merchants still obstruct the conclusion of a commercial treaty, those hostile dispositions are no longer cherished; but, on the contrary, the greatest anxiety is evinced by the rulers of both countries to unite them together in the most friendly ties. Every friend of humanity and peace must be rejoiced at the prevalence of this moderate and pacific spirit in the national councils.

The freedom of trade and navigation was the basis of this treaty. The vessels of both countries were allowed equal privileges in each other's ports; and the heavy duties which obstructed the mutual exchange of produce, were abated. The wines of France were admitted at the same duties as those of Portugal. The duty on brandies, vinegars, and oils, was reduced to the lowest rate paid by any nation. Those on woollen and cotton manufactures; on porcelain, pottery, and glass, were reduced from 50 and 75 per cent., which were prohibitory, to 12 per cent. in both countries. Linens were admitted on the same duty as from Holland. The duty on saddlery was reduced to 10 per cent.; on millinery made up of muslin, lawn, cambric, to 12 per cent., in both countries. This treaty is by far the most liberal measure ever introduced into the country: it placed the commerce of France and England on a footing of equality; and in lowering the duties on the staple manufactures of Britain to 12 per cent., deprived them of their boasted protection. A great impulse was given to trade by its emancipation from the trammels of monopoly; and the export of British manufactures to France was rapidly increasing, when all intercourse between the two countries was checked, for nearly a quarter of a century, by the war which was begun in 1793.

But this wise and friendly treaty with France was an exception to the general policy of Britain, which was still founded on restriction and monopoly. The tardy progress of commercial reform is the more remarkable, as its necessity was now fully admitted.

It was no longer doubted that restrictions were hurtful to trade; that the colonial monopoly was disadvantageous to all parties, even to the mother country, for whose behoof it was intended; and that the navigation laws, rigidly enforced, would prove injurious to trade, and ultimately to navigation itself. Yet no movement was made; no step was taken to soften these restrictions; and thus, among a people eminently commercial, and with the boasted advantage, besides, of a free constitution, abuses were allowed to take root, and to grow up, of which no other country in Europe presented any example. Such was the monopoly of the East India trade by an exclusive company; which, though not less contrary to the interests of commerce than of navigation, and though universally condemned, still maintained its ground, and finally lingered behind its time till the year 1834.

When America achieved her independence, a fair occasion was presented for the exercise of British liberality, by the admission of the new State to her former free intercourse with the West India colonies; and Mr Pitt, the steady advocate of liberal policy, introduced a measure into Parliament for this purpose, during his first and short-lived administration. But the cry of monopoly prevailed; and the new State was, with violence and clamour, cast out as an alien from all her former privileges. Her vessels were excluded, under pain of forfeiting both ship and cargo, from entering any British port in the West Indies; though these colonies were almost entirely dependent on America for supplies of provisions,

lumber, and live-stock, in return for sugar, rum, and other tropical produce, which met with a ready sale in the American markets. This prohibition, though it was occasionally relaxed, yet inflicted severe distress on the West India islands. From 1780 to 1786, these islands experienced a series of violent hurricanes, the peculiar scourge of the climate, by which the country was laid waste, and scarcity ensued; and in 1786, thousands of negroes perished from famine, though from the neighbouring ports of America ample supplies might have been obtained, but for the cruel prohibition by the mother country of any intercourse with her former colony, except in British ships.

A treaty, on the principle of reciprocal freedom in trade and navigation, was proposed by the American minister in London, in 1785, and was declined by the British government, as was also all negotiation respecting the colonial trade. This rigid adherence of Great Britain to her navigation laws, and other restrictions, gave rise, as was to be expected, to similar restrictions on the part of the United States, now an independent power, fully resolved to maintain her rights. The first American congress, accordingly, which met in 1789, passed an act excluding foreign vessels from her coasting trade; also from the trade between America and China, by discriminating duties on tea, and imposing licenses and other duties on all foreign vessels that entered an American port. A negotiation was the result of this retaliation, which terminated in a treaty, concluded in 1794, by which it was agreed that the vessels and goods of both coun-

tries should be entitled to the same privileges, and liable to the same duties, in each other's ports. American vessels were also, at the same time, admitted into certain ports of the British dependencies in the East Indies.

Further progress of commercial reform.—Navigation laws of Britain.—Not indebted to them for naval power.—Tendency to provoke the retaliation.—Cause of monopoly weakened by political changes.—Relaxation of the navigation laws.—Necessary to avert the threatened retaliation of foreign powers.—Reciprocity treaties.

The philosophy of Dr Smith, however closely connected with the great interests of society, was little attended to during the revolutionary war with France, so deeply did the great events of those times engross the attention of all Europe. With the return of a more tranquil era, the interest in those important inquiries gradually revived; and the statesmen of the country found it necessary, as a tribute to the increasing knowledge of the age, to revise the commercial policy of the country that had been long pursued, and to remove some, at least, of the more obnoxious restrictions by which, though universally condemned, the commerce of Great Britain was still embarrassed.

The Navigation act of Charles II., was long the idol of British statesmen; and though dictated, according to Dr Smith, by national animosity, was still declared by him to be as well adapted to its purpose

as if it had been contrived by deliberate wisdom. It was, however, with this celebrated act that modern statesmen commenced the work of reform, by modifying its rigour, and adapting it to the altered circumstances of the times.

The great purpose of the Navigation act was to exclude foreign shipping from the carrying trade of Britain. With this view, it gave to British-built shipping, of which the master and three-fourths of the crew were British, the monopoly, 1st, of the coasting trade; 2d, of the direct trade with the colonies; 3d, of the fisheries; 4th, of the carrying trade with Asia, Africa, and America, from which no goods could be imported into Britain except in British vessels, directly from the country where they were produced; 5th, numerous bulky articles, to the number of twenty-eight, are specified in the act, which can only be imported directly from Europe into Britain in British ships, or in ships of the country of which they are the produce, subject to alien duties. Such were the provisions of this well-known act, the deliberate wisdom of which, although commended by Dr Smith, may, nevertheless, be questioned. Even though all nations had acceded to the restrictions which it imposed, it seems doubtful how far it ever would have produced, or ever did actually produce, the boasted advantages which have been ascribed to it. Its object is to rear up a formidable navy; and, for this purpose, it relies rather on the artifices of monopoly, than on the spontaneous development of the national resources from which alone a navy can be either formed or perma-

nently supported. Commerce is the parent, as it is also the measure of naval power. A navy cannot be created by the arbitrary decrees of legislation. It is the slow growth of maritime trade; and where trade flourishes, and is extended, the means of fitting out a navy cannot be wanting. Great Britain, therefore, with her trade extending over the whole world; with her extensive sea-coast, and numerous ports, could hardly fail, in any case, to have attained to maritime greatness. It was not necessary for ensuring the growth of a commercial marine, to bind her trade to her navigation by the chains of monopoly, since the one cannot exist without the other. Navigation is the necessary accompaniment of trade; and no commercial country ever yet carried on any proportion of its trade with foreign shipping.

Many circumstances concur to give to every country the monopoly of its own navigation. Without the aid of laws it will necessarily fall to those who, from local knowledge, connexions, and other advantages, are best qualified to carry it on. To those advantages, therefore, natural, as well as acquired, Great Britain appears to be indebted for her maritime superiority, rather than to those boasted laws which confine her commerce to native ships; and, accordingly, it appears from Dr Smith's own statement, that she had become a great naval power, formidable in war, before these laws were enacted, or could possibly have taken effect.

It is still more certain that the restrictions which Great Britain imposed on commerce would have been injurious to herself, even though they had been

acquiesced in by all the other nations. Commerce, being an exchange of what is superfluous for what is scarce, must, in the nature of things, confer a mutual benefit on those who make the exchange. It is a voluntary transaction, and would not be engaged in, unless it yielded this common advantage; and hence. not only the selfishness and the injustice, but the folly of those commercial restrictions. In excluding, by heavy duties, the importation of French produce, Great Britain in effect restricted her own trade. Importation implies exportation. The produce of France would not be imported into Britain without a return; and that return would be in British goods. Each nation receiving a supply of what is wanted for that of which it has too much, industry thus mutually profits by this necessary exchange of its surplus produce.

But other nations would not tamely submit to the monopolies of Great Britain, however cunningly devised for her own benefit. During the revolutionary war, which commenced in 1793, and terminated in 1814, domestic improvement was mostly at a stand. War engrossed the attention of all Europe. But no sooner was it brought to a close, than the different nations began to turn their attention to the arts of peace; when the commercial system of Britain was found to be the great stumbling-block in the way of navigation and trade. All complained of her navigation laws, and other restrictions; and threatened to retaliate. Their measures were, however, at first, strictly defensive. Their object was not intended to favour restrictions, but to put them

down; and to establish among all trading nations an equality of charges, whether on shipping or goods. Such was the policy of the United States. They retaliated on Great Britain the full measure of her own restrictions; but they did not object to a different arrangement, by which equal charges should be imposed on the goods and shipping of either country in the ports of the other; and, accordingly, Great Britain, through long holding by her exclusive privileges, was forced at last to give way, and, in 1815, to conclude a treaty with America, on those equal principles. In 1822, Prussia issued an edict, imposing discriminating duties on the vessels or goods of every nation in which similar duties were levied on her own goods and shipping; and, on a remonstrance from this country, it was replied that we need not expect the repeal of these duties so long as we persevered in our own.[1] All the other States of Europe were, in like manner, prepared for retaliation; and, in case Great Britain persevered in her exclusive laws, to form a league for defence against her as the common enemy of free trade. They were resolved no longer to allow her to cut and carve upon the commerce of the world; to pick and choose what to concede and what to withhold; to send her goods to their markets in any quantity, and to reject their produce in return. They resolved to oppose her by her own arts; to retaliate upon her with interest; and, if she rejected other arguments, to impress upon her just views of policy, by a sense of her own advantage.

[1] See Huskisson's Speeches, vol. iii., p. 129.

But their measures were still defensive. It was from Great Britain that the system proceeded. It was this greatest of all commercial States that mingled up for her neighbours the potion of monopoly, which they, refusing to partake, commended the poisoned chalice to her own lips.

Many circumstances had concurred to weaken the cause of restriction throughout Europe. The independence of the United States was the first serious blow which it received. This event laid open the commerce of a great continent to all nations. Monopoly thus lost its vantage-ground; and though still strongly intrenched, was now commanded from new and more advantageous positions. Experience, equally with reason, laid open the benefits of free trade. The ancient bond between the mother country and the colony was suddenly rent asunder; the thraldom of monopoly was broken; and, so far from evil following to either, both were benefited; the trade flourished and increased more than ever. After the monopoly had ceased, the two countries were still bound together by their mutual wants: America, a comparatively new settled country, being deficient in capital and industry, and abounding in the rude produce of the soil; Great Britain, on the other hand, rich in capital, and still more in art and in ingenious industry, being a storehouse of goods out of which the wants of America could be at once supplied. It was on this foundation that the trade was originally raised; and from the same cause it revived with the termination of the war.

Other important political changes occurred in dif-

ferent parts of the world, which imposed on Great Britain the necessity of modifying her exclusive laws. In 1808, Brazil became the seat of the Portuguese empire, and was thus laid open to the intercourse of other nations. The independence of South America was acknowledged about 1810. St Domingo was also independent; and Cuba acted on the principles of free trade. Every port on the Atlantic and Pacific shores, from Cape Horn as far as the borders of Canada, was thus open to the vessels of all nations. The flag of commercial freedom thus floated over a large portion of the globe. The empire of monopoly was contracted to a comparatively narrow span; and its influence was diminished in proportion. The independent communities of America were anxious to acquire shipping and trade; and they had resolved strictly to retaliate on those European countries from which either their vessels or goods were excluded. For this purpose they had already devised prohibitory laws, by which Great Britain, in rigidly adhering to her Navigation act, would have been met in all the ports of America by similar restrictions. In these circumstances, it was wisely determined by the British ministers somewhat to relax this monopoly, rather than encounter exclusion on so large a scale.

The prohibition which the Navigation act imposed on the importation into Britain of the produce of Asia, Africa, and America, except in British-built ships, and from the place of their production, was repealed as regarded the United States, by the different treaties concluded, the last in 1815, with that power; and with the South American States, as they

severally attained to independence, and entered into commercial treaties with Great Britain. The prohibition, however, to import the produce of these parts, or any of the enumerated commodities from Europe, except directly from the places of their growth, was still retained, and was found to embarrass, without in any degree promoting the interests of commerce. The restrictions on the trade out of Europe were chiefly injurious to the British merchant. The condition to which he was subjected, of only importing commodities from the place of their growth, embarrassed him in the assortment of his cargo in the distant ports of Asia, Africa, or America, and must have frequently diminished his chances of profit. The attempt, by legislators at home, to exercise such a control over him in those remote ports, was certainly an unusual stretch of presumption and folly; which, in place of promoting, could only tend to retard the progress both of navigation and trade. The same restriction which was imposed on the commerce with Europe, of importing foreign commodities directly from the place of their growth, was equally embarrassing, without any benefit. In 1822, these restrictions were accordingly repealed. The goods, the produce of Asia, and the other divisions of the globe, were allowed to be imported in British-built ships, from any place whatever, unless specially prohibited; and the importation of the enumerated goods into Britain was allowed, not only in the vessels of the country of which they were the produce, but in the vessels of the country from which they were imported into Britain.

Those acts, therefore, released British as well as foreign shipping from useless restrictions. The former were now permitted to bring from any foreign country, not only goods the produce of that country, but goods imported into it from any other foreign place; and thus the British ship-owner had the advantage of choosing his cargo from a greater variety of articles; while the foreigner, by this new law, could not only bring into Britain enumerated commodities, the produce of his own country, but those, also, which were imported into it. The distinction of the enumerated goods is still retained: they cannot be brought into Great Britain in any foreign vessel except under certain limitations—namely, in the vessel of the country where they were produced, or of the country from which they are imported. No American vessel, for example, can import the wines of France into this country; and, in return, no British vessel can carry any other than British produce directly to the United States. This restriction, therefore, like all others of the same nature, recoils on its contrivers. It is indeed more injurious to Great Britain than to America; for, as Mr Huskisson explains in one of his masterly speeches on this subject, the American merchant, or ship-owner, suffers no hardship in being restricted to the direct importation of American produce into Great Britain, having nothing else to bring over; while, for his return cargo, which he may find it for his interest to assort more variously, he may choose from the whole produce of Europe. The British merchant has not the same advantage; seeing that, in return for the restrictions imposed by Britain, he is

confined in his export-cargo from Europe, of which alone he may wish to vary the assortment, to British goods, under pain of forfeiting both ship and cargo. Those restrictions which Great Britain imposes on foreign shipping, are thus retaliated on her own ; and wherein, then, it may be asked, consists the advantage of those much-boasted laws? Is it not evident, from experience as well as from reason, that monopoly is not the true interest of a great commercial State, whose navigation and trade will be more effectually promoted by free competition than by all the devices of monopoly, however cunningly devised?

In addition to those restrictions, foreign commerce and navigation were both discouraged in Great Britain by heavier duties on goods imported, and by smaller drawbacks on goods exported, in the vessels of aliens than of natives. This distinction in favour of British vessels tended to divert both trade and navigation from their natural course. But the scheme, however ingeniously contrived, was frustrated by the retaliation of other nations; and Great Britain was reduced to the alternative of either retracing her steps, or of following out her system to its final and legitimate conclusion,—namely, the entire proscription, like the Chinese, of all foreign trade. A different policy was adopted. Treaties had been already concluded with Brazil in 1811, and with the United States in 1815, on what was called the principle of reciprocity; by which it was agreed, that the ships and goods of both nations should be charged with equal duties, and entitled to equal immunities and drawbacks in each other's ports. The adoption by Great Britain

of this principle, as the basis of her foreign trade, was a new era in her policy. These terms, however, being granted to one State, could not, with any reason, be denied to others; and in this new bond of commercial intercourse were accordingly included, in 1824, 1825, and 1826, the American States of Mexico, Colombia, Buenos Ayres, Peru, and others; and in Europe—France, Prussia, the Netherlands, Sweden, Denmark, with other minor States.

An outcry was raised against this wise and necessary relaxation of the navigation laws, by the ship-owners and others; who ascribed to it the decrease in British, and the increase that they asserted had taken place in foreign shipping. Mr Huskisson, the author of the measures, however, proved, from the unerring evidence of parliamentary returns, that the number of British vessels built in 1825, when the effects of the recent changes must have been fully felt, was greater than in any former year on record, amounting to 1312: the number built in 1814, the last year of the war, when, from various causes, the demand for shipping was great, being only 818. The number of ships which, in 1824, entered inwards, was, according to the same return, 19,164; their tonnage, 2,364,249: the number of foreign ships was 5280; their tonnage, 694,880. In 1825, the relative number of British and foreign ships was as follows:—

	No.	Tons.
British vessels entered inwards,	21,786	2,786,844
Foreign do. do.,	6561	892,601

The increase in the number of British ships was 2622, and in the foreign, only 1281. The year

1825 was, however, noted for overtrading; and there was, in consequence, a greater demand for shipping than in any former year. In 1826, owing to the unexampled depression of trade, the amount of British shipping decreased. Mr Huskisson proved, however, from the same accounts, that the decrease in foreign was still greater than the decrease in British shipping;[1] and that the falling off in the latter was altogether independent of the late relaxation in the navigation laws.

CHAPTER VIII.

ON THE COLONIAL TRADE.

Colonies of no real advantage to the mother country.—Partial relaxation of the monopoly in 1822 and in 1825.—Disadvantage of the remaining restrictions.—Complained of by the Americans, who retaliate.—A compromise at last agreed on.—Narrow policy of Britain.—Restrictions still imposed on the colonial trade.—Taxes imposed by Great Britain on the colonies.—Unproductive.—Operation of the colonial monopoly.—Varies according to circumstances.—Its effect on the price of sugar and coffee.

It is now generally acknowledged, that colonies are of no real advantage to the mother country. The monopoly of the trade is a positive injury to both parties; to the dependent as well as to the

[1] See Huskisson's Speeches, vol. iii. p. 95.

parent State; and the sovereignty, however it may flatter the national vanity, brings with it no solid benefit. The undue importance attached by Great Britain to her American colonies, was fully proved by the event. The wisest statesmen were impressed with the notion that the loss of this great empire, the brightest ornament, as it was styled, of the British crown, would be a serious blow to the national prosperity. How entirely has the subsequent prosperity of the country belied those vain fears. The loss of America has, in no degree, affected the commercial greatness of Britain; it has rather redounded to her advantage; and the only regret now is, that the Canadas were not united in the same successful revolt, which would have freed the mother country from all farther care or expense concerning them; and from the injurious monopolies established, as well as from the danger of being involved in wars with other powers, on their account. Colonies are frequently acquired by conquest, and hence are valued as the honourable trophies of successful war. In the prosperous reign of Queen Elizabeth, no act was more unpopular, though none was probably more wise, than the giving up of Calais, the last memorial of English conquest in France; and, at present, the cession of any of the numerous and expensive colonies of Britain, even for an equivalent, would probably draw on its adviser an equal share of popular odium, though no real injury might thence accrue to the country. It was for the preservation of her American empire that Great Britain embarked in a long, and finally an unsuccessful war; and any

minister would probably have been denounced as an enemy of his country, who would, at that time, have proposed to terminate the threatened strife, by acceding to American independence; though all the blood and treasure would thereby have been saved, which was afterwards squandered in that fatal war.

Although, by the navigation laws of Great Britain, foreign States were always excluded from her colonial trade, yet, owing to the gradual progress of juster notions, and still more, to the force of circumstances, the whole American continent having been emancipated from commercial bondage, it was no longer found possible strictly to adhere to this narrow policy. It was, however, departed from slowly and reluctantly; minor details were given up, while the principle was retained; and it was only from the well-founded dread of retaliation, that this country at length consented to a partial relaxation of those restrictive laws.

In 1822, the 3 George IV. opened the trade with the British colonies to any friendly State in America, either in their own, or in British vessels. But this privilege was clogged by several restrictions; the foreign vessel being confined to a direct voyage from her own country to the colony, and to certain enumerated articles, chiefly lumber and provisions, on which also discriminating duties were imposed; while the same articles were allowed to be exported, either from Great Britain to the colonies, or from colony to colony, as from the Canadas to the West Indies, duty free.

The colonies were permitted, by the same act, to

send their produce directly to Europe; only, however, in British ships, and to bring back also, in a direct voyage, certain enumerated commodities of foreign growth or manufacture. In 1825, the 6 George IV., c. 73, conferred the same privilege of a direct trade to the British colonies, on the European and all other friendly States. They were permitted to import directly into those colonies, in their own or in British ships, all articles the produce or manufacture of the countries to which they belonged, except such as were specially prohibited; and, in return, to export the produce of the colonies to any part of the world, except to Great Britain or her dependencies. The duties imposed by the former act, on lumber, provisions, and live-stock, and other minor articles imported from foreign States, were continued; and discriminating duties were laid on wine and spirits. On wine, a duty of £7, 7s. per tun of 252 gallons, when imported from Britain; and for the encouragement of British navigation, a further duty of £7, 10s. per cent. when imported from other countries; and on spirits 6d. per gallon. The importation of certain articles of provision, such as salted beef or pork; also of coffee, cocoa, sugar, molasses, rum, &c., unless for re-exportation, was prohibited, except from the mother country, or her colonies. The same prohibition was also extended to fish, dried or salted, to oil, blubber, &c. On foreign goods, wares, and merchandise, discriminating duties were imposed, amounting, on manufactures of linen, leather, silk, on clocks and watches, musical instruments, &c., to 30 per cent.; on glass manufac-

tures, soap, manufactured tobacco, cotton manufactures, 20 per cent.; and, on other articles, not enumerated, 15 per cent.

The Americans rejected the offer of a trade with the colonies, thus clogged with discriminating duties; and they passed an act imposing alien duties on all British vessels entering American ports from the colonies; to be levied until the productions of the United States should be admitted on the same terms and duties as the like productions of any other country: thereby claiming to be placed on an equal footing in this trade with the North American colonies, or any other portion of the British empire.

Mr Huskisson censures this claim as the most extravagant ever proposed by one independent State to another; and he suggests various schemes of retaliation that might have been adopted for bringing the Americans to more reasonable views. But the disagreement originated in the narrow policy of this country; by which, in order to favour the trade of Canada, discriminating duties were imposed on lumber and provisions imported directly from America to the West Indies. It was against these duties that the Americans remonstrated; and they retaliated by counter-restrictions, of which Mr Huskisson complained; though they were the natural and proper fruits of the British monopoly. If the American trade with the West Indies was restrained, it was of no moment whether it was by direct prohibitions or by protecting duties. It was not for the mere name of freedom that they contended, but the reality. They saw plainly, that by the new scheme of protecting

duties, their trade with the West Indian colonies of Great Britain would still be obstructed as before; and they retorted on the British their own restrictions.

This last measure was introduced by Mr Huskisson, with an eloquent eulogium on the advantages of free trade; of which, however, it was by no means a happy specimen: the discriminating duties which were substituted for prohibitions, obstructed the trade as effectually as before; and since the foreign manufacturer was undersold in his own markets, on equal terms by his British rival, it was little else than mockery to admit him to a hopeless competition in the colonial market with heavy duties against him. The duties on such articles as lumber, live-stock, and provisions, were not prohibitory; and they were still imported from the United States for the supply of the West Indies. But the rise in their price occasioned by the duties, increased the expenses of the planter, and the price of his produce; and thus limiting the demand for it, tended to check the progress of cultivation and industry in these islands. On the other hand, the exclusion of foreign sugar, coffee, and other products, from the Canadas and other British colonies, gave the West India planter the monopoly of these articles; and by raising their price to the North American colonies, had the same effect of retarding their progress and embarrassing their trade, by preventing them from freely disposing of their produce in certain markets, such as the Brazils and Cuba, from which they could not bring back, in return, any of the great staples of those colonies, as sugar, coffee, or rum.

Mr Huskisson's complaint was, that the just limit of retaliation was exceeded. But by what standard can this limit be fixed? The example of monopoly once given, will be improved upon; one restriction will lead to another; the system is progressive; and has no necessary limit but in the entire proscription of trade. If the duties complained of had been imposed with a view to revenue, the retaliation of America would have deserved the unqualified censure of Mr Huskisson. But they were protecting duties, intended to favour the Canadian at the expense of the American trade; and hence the retaliation which they provoked. An unreserved concession of the West India and of the Canada trade to America, as was formerly proposed by Mr Pitt, would not only have obtained a different return, but would have proved a passport to confidence, and a sure guarantee against future jealousies and all the anti-commercial tariffs which have been since threatened, and been partly carried into effect. It would have been followed by equal freedom to the British trade in the American ports; and thus all difficulties would have terminated, and all those tedious and perplexed negotiations entered into for the vain purpose of negotiating a commercial treaty on the unsatisfactory basis of mutual restriction.

After some farther vexatious differences respecting the terms of reciprocity, in the course of which Great Britain proceeded to retaliate on America by imposing alien and other duties on her vessels and cargoes entering British ports, the negotiations were at length amicably terminated. It was agreed, on the part of

this country, to modify the discriminating duties which obstructed the trade of America with the West Indies. Two acts were passed, in 1831 and 1833, containing a list of articles; among others, live-stock, rice, corn and grain unground; biscuit or bread; meal or flour, except wheat-flour, which were allowed to be imported into the West Indies duty free; and salted meat, pork, and hams, at a duty of 12s. per cwt. from any foreign country. America accepted of these terms, on which the trade between the two countries has since been carried on.

But notwithstanding those concessions, the discriminating duties which are still left, interfere most injuriously with the trade. Wheat-flour and lumber are admitted into Canada duty free, and lumber into New Brunswick and Nova Scotia; and as those articles are exempted, when exported by Canada to the West Indies, from the duty to which they are liable when brought directly from America, the tendency of those regulations is to force the trade out of its direct and natural course, into this round-about channel through the British colonies; to secure to the Canadas the monopoly of supplying the West Indies with lumber and provisions; to raise the price of those necessary articles to the West India planter by all the additional expense of the round-about voyage; thus imposing a tax on the industry of the West Indies, for the profit of the British or Canadian ship-owners; oppressing one colony for the benefit of another; and, finally, incurring the hazard of irritating America, and provoking retaliation by a pretended offer of a free trade to the West Indies;

while, by the device of discriminating duties, it is nearly as effectually obstructed as before.

The misunderstanding, and the tedious negotiations which took place with the United States, respecting the trade with the West Indies, have proceeded chiefly from the reluctance of this country to part with the monopoly. The trade of Great Britain with her West India colonies was greatly facilitated by the intervention of American produce. It was a new equivalent in the circle of commercial exchange, which being obtained for British goods in the American ports, was advantageously exchanged for the colonial produce that was to be carried home to Europe. Great Britain derived from this free intercourse with the colonies, and the United States, great advantages for the trade with both; from any share in which it was her anxious care to exclude her American rival; and hence the retaliation which was provoked, and of which Mr Huskisson so heavily complained. By forcing the lumber and the flour of the United States destined for the West Indies, to go round by Canada, the American trade, though not directly prohibited, was nearly as effectually obstructed. In the exportation of lumber to the Canadas, her shipping had no great chance of being employed. Being prohibited by the British Navigation act from completing the voyage to the West Indies, it would hardly be worth while to commence it to the Canadas. The diversity of produce in the West Indies and the United States affords the sure foundation of an extensive trade; but there is not the same scope for trade between the Canadas

and the United States,—their productions being similar: and hence, to stop the American shipping in their progress to the West Indies at Canada, and to compel them to return with such cargoes as they can obtain, is equivalent to an almost entire prohibition of the trade. By this device, unworthy of a great nation, this country aims at monopoly under the guise of freedom; by endeavouring to force the colony trade into a channel where it can only be profitably carried on by British shipping.

The provisions for regulating the general trade of the colonies were dictated by the same spirit. The actual prohibition on the import of foreign manufactures was, no doubt, withdrawn. But, by the heavy import duties which were proposed, of 7½, 15, 20, and 30 per cent., they were still as effectually excluded as before; and, accordingly, while the value of British manufactures imported was, in the year 1839, £2,957,093, the foreign manufactures that paid the duties of 20 and 30 per cent., only amounted in value, in the same year, to £70,024; and, if we take away two articles, namely, manufactured tobacco and glass, the whole yearly value of these foreign imports will be reduced to £34,191. If the object of this act therefore, was, as was professed, to open the trade of the colonies to other nations, it was entirely defeated by the heavy import duties imposed, which still effectually closed the colonial ports against the importation of foreign goods.

The other restraints that were laid on the colonial trade were equally injurious. The extra duty of 7½ per cent. on wine, except when imported from Great

Britain, which was imposed for the encouragement of British shipping, obstructed the trade of the colonies with the countries that border the Mediterranean, and with Madeira. The produce of the Nova Scotia or Newfoundland fisheries finds a ready market in those countries in exchange for their wines. But in bringing back those wines to the colonies, the merchant was met by the discriminating duty of 7½ per cent., in addition to the British duty of £7, 7s. per tun; which was found to be a material drawback on the trade. The exclusion of foreign fish, and also the duty on salted meat, pork, and hams, was deeply complained of: the colonies being thereby prevented from obtaining such a choice of provisions, as a free competition with other fishing countries would alone secure;[1] and being also compelled, notwithstanding the duty of 12s. per cwt., to import supplies from Europe, where they can be obtained for half the price they cost in Britain. It is estimated that above eighty or ninety vessels sail annually from the port of Hamburgh alone, with supplies.

In 1842, the heavy duties on the import of manufactures and merchandise into the North American colonies, were reduced according to the following rates:—

Spirits, Rum, per gallon, ...	£0 0 6
Other Spirits, ...	0 1 0
Glass manufactures, Silk manufactures,	15 per cent. *ad valorem.*
Wine, whether bottled or not, ... Cotton, Linen, Woollen, Leather, Paper, Hardware Manufactures, Clocks and Watches, Manufactured Tobacco, Soap, Candles, Cordage, Oakum,	7 per cent.

[1] Evidence of J. Macgregor, Esq., p. 77; and of J. D. Hume, Esq., p. 121.

Oil, blubber, fins, and skins, ...	15 per cent.
Articles not enumerated, ...	4 per cent.

Those duties of 15 per cent. on glass maufactures, and on cotton, linen, and woollen, &c., of 7 per cent., could hardly fail to turn the scale against foreign goods in the colonial market. The measure was, however, a movement in the right course, and was of importance, as it sanctioned principles which, in due time, may be expected to bring about the total abolition of all those vexatious imposts, and place the commerce of the colonies on its true basis.

But, along with this reform of the colonial tariff, new duties were imposed of 2s. the barrel on the importation from the United States of wheat-flour into Canada, and 4s. per cwt. on cured meat, besides various duties on other articles. The object of these new duties it is not easy to understand; and it was never clearly explained by those who proposed the measure. The reason for allowing flour and salted meat to come into Canada, from the United States, duty free, was to secure for the shipping of that colony the farther carriage of these articles to the West Indies. In this view the measure, as has been already stated, was far from being liberal in its principle. And it was certainly not mended by the new duties that were imposed on the trade from the United States to Canada, which were chiefly to be deprecated as forming a new obstacle to the emancipation of the colonial trade from the complicated restrictions by which it has always been encumbered. The greatest boon that Great Britain could confer on those dependencies would be, not to meddle in their internal

concerns; nor in the regulation of their trade, which, it is certain, legislative restraints may injure, but cannot promote.[1]

The monopoly of the colony trade will be, according to circumstances, either nugatory or injurious. Where it confines the merchant to the markets which abound in all that he requires, in which he can buy cheapest and sell dearest, it will then only be nugatory. It will really impose no restraint. The law will only prescribe the channel into which trade would of itself naturally flow. The injury which the West India islands suffered from the restrictions on their trade with America has already been fully explained. But the law which restricted them to the market of the mother country for a supply of manufactures was not equally injurious, as there was no other from which they could be obtained at a cheaper rate; and, accordingly, the North American colonies still resorted to that market for such manufactures as they required, after other markets were open to them. On the other hand, Great Britain suffered no injury in being confined to the colonies for their peculiar staples, so long as they could be abundantly supplied. The yearly consumption of tobacco, one of the great staples of North America, is stated by Dr Smith to have amounted in Great Britain to only 14,000 hhds., while the supply from the colonies amounted to 96,000 hhds. In this case, the monopoly did not raise the price by stinting the supply. Great Britain could not have been more abundantly

[1] Report of Select Committee on the Import Duties; Evidence of Mr Macgregor, p. 77. See, also, Evidence of Mr Hume, p. 122.

supplied from any other quarter: and hence no injury accrued to her in being confined to so abundant a market, however the colonies might suffer in being compelled to send their superabundant produce to the narrow market of the mother country, whence it had to be re-exported, with delay and expense, to its final destination in the markets of Europe. In like manner, the supply of sugar and coffee, the great staples of the West Indies, has been generally greater than the mother country could consume: and hence Great Britain suffered no injury in being restricted to this market. The produce of sugar, for the last sixty or seventy years, has been rapidly increasing throughout the world; and during the long war with France, which began in 1793, the conquest of the French and Dutch colonies by Britain, and their extended cultivation by British capital, poured into this country a supply far beyond the demand, and reduced the price from 69s. and 63s., in 1799 and 1800, to 50s. and 36s. in 1801 and 1802. With such a superabundant supply, and a large surplus for exportation, the monopoly was not injurious. It could not affect the price, which depended on the demand, not of the home, but of the European market. From the increasing produce of sugar throughout the world, the price continued, with occasional fluctuations, still to decline; and though, in 1814, 1815, and 1816, it rose to 62s. and 73s.; it fell, in 1830 and 1831, to 25s. and 24s.; and, during all this period, the supply from the British colonies so far exceeded the consumption, that the monopoly had no effect in raising the price.

The following is an account for different periods of the average excess of the supply over the consumption in Great Britain, from the year 1815 to 1834:—

	Cwts.
Imported from 1815 to 1819 inclusive:	
British plantation, East India, and Mauritius,[1]	3,862,302
Retained for home consumption, . .	2,517,593
Excess of supply, ...	1,344,809
From 1820 to 1824 inclusive:	
Import, ...	4,016,850
Retained for home consumption, . .	3,108,843
Excess of supply, ...	908,007
From 1825 to 1828 inclusive:	
Import, ...	4,053,553
Retained for home consumption, . .	3,999,021
Excess of supply, ...	654,532
From 1829 to 1833:	
Import, ...	4,546,265
Home consumption, ...	3,670,042
Excess of supply, ...	876,223
From 1834 to 1838:	
Import, ...	4,321,020
Home consumption, ...	3,790,202
Excess of supply, ...	530,818

While the supply of sugar from the British colonies so greatly exceeded the demand, the price in Great Britain and in the foreign market was nearly the same. But after the act of 1834 was passed for

[1] Foreign sugar is not included in the above account. Being liable to a duty of £3, 3s. per cwt., it was only imported with a view to its re-exportation after being refined.

the emancipation of the West India slaves, the produce from these islands began to decline, and the price in Britain rose in proportion, to 39s., 49s., and 56s., per cwt. in 1839 and 1840; while, in the European market, from the increasing supply, the cultivation of sugar having been greatly extended in Cuba, Brazil, in the Southern States of America, and in the Asiatic islands, it was only 21s. 6d. or 22s. per cwt. The exclusion of this cheap article from the home market, by the differential duty of 63s. per cwt., inflicted, therefore, a deep injury on the country. The monopoly was no longer a dead letter. It was in full activity, and imposed a heavy tax, equal in amount to the excess of the home above the foreign price, on the whole annual consumption. The loss thus sustained will appear from the following estimate:—

Year.	Annual Consumption. Cwts.	Difference between the home and the foreign price.	Amount of the tax.
1835	3,586,562	6s.	£1,025,968
1836	3,488,399	13s.	2,267,454
1837	3,954,810	13s.	2,545,626
1838	3,909,665	12s.	2,345,799
1839	3,825,599	17s.	3,251,759
1840	3,594,834	28s.	5,031,267
1841	4,057,628	28s.	5,680,679

Such has been, for some years past, the annual expense to Great Britain of the West India monopoly of sugar. It is one of the heaviest taxes which this narrow policy imposes on the country. It is, besides, a clog on its trade and industry; as it necessarily restricts the intercourse of Great Britain with

the countries of which sugar is the staple; and by raising its price, it discourages its use, or rather the use of tea, in the preparation of which sugar is essential. It thus abridges the comforts of the people; or, what is worse, tempts them, by depriving them of this cordial, to the use of others, ruinous alike to their health and morals. It is a real grievance on the country, only to be paralleled by the monopolies of salt and other articles, which excited so general a clamour in the reign of Queen Elizabeth, before they were finally abolished.

The price of coffee, another great article of consumption, was not, until of late years, materially affected by the monopoly; the demand at home being fully supplied by the produce of the British colonies. The reduction of the duty in 1824, from 1s. to 6d. per lb., gave an impulse to the consumption, which was farther aided by an increasing supply and a lower price. Till the year 1832, prices continued at from 50s. to 86s. per cwt. for Jamaica coffee, which was not much above the price in the European market. The supply from the British West Indies, which amounted in 1832 to 24,642,857 cwts., began about this period, and more especially after the year 1834, to fall off; and foreign coffee being excluded by a duty of 1s. 3d. per lb., the monopoly, as in the case of sugar, began to take effect, and to raise the prices at home above those abroad.

The following is an account of the annual supplies of coffee from the British West Indies for the last ten years:—

Year.	Cwts.	Year.	Cwts.
1832	24,642,857	1837	15,182,967
1833	18,852,423	1838	17,430,475
1834	22,069,201	1839	11,469,600
1835	14,617,046	1840	12,730,080
1836	18,377,471	1841	17,060,992

This deficiency in the supply of coffee from the British colonies, though it was fully made up from other sources in this country, raised the price, in 1834 and the three following years, to 80s. and 112s., and in 1838 to 83s., 96s., and to 112s. and 138s. per cwt., for the best qualities; while the coffee that was excluded from the British market was not above half the price of the privileged article. The price of St Domingo coffee was 51s. and 53s. per cwt.; that of Ceylon coffee, before its admission into Britain in 1835 at the duty of 6d., was from 48s. to 51s.; after which, however, it rose to the level of the scarcer market, namely, to 80s. and 85s. The duties were 6d. per lb. on British West India coffee; 9d. per lb. from British possessions within the limits of the East India Company's charter; on coffee from foreign countries within this limit, 1s.; and from other foreign countries, 1s. 3d. per lb. Those two latter duties acted as a prohibition on the importation of foreign coffee into Britain. But from the great rise of price, it was found that it could be sent from St Domingo and from Java, to the Cape of Good Hope; and could thence, after paying all charges, be imported with a profit at the lower duty of 9d.: and this device was actually adopted, and afforded an apt commentary on the absurdity of those restrictions which forced the merchant to travel out of his way several thousand

miles, in order to evade the operation of this absurd and injurious law.

The deficient supply of coffee from the West Indies was in this manner made up by the increasing supply from British possessions, chiefly Ceylon, in the East Indies, which gradually increased from 1,969,769 cwts., its amount in 1832, to 7,420,041 in 1836. In 1838 the quantity reserved for home consumption amounted to 25,818,613; of which the supply from the Cape, at the duty of 9d., amounted to 3,222,406 lbs.; and from the possessions in the East Indies, at 6d. of duty, 7,061,058. A statement is subjoined of the quantity reserved for home consumption in 1839 and 1840, and of the several countries from which it was received:—

Reserved for home consumption:—

	1839.	1840.
Of the produce of British possessions in America, West Indies, and Africa, ...	15,526,569	9,955,159
Imported from Cape of Good Hope, and British possessions in East Indies, ...	4,461,534	4,540,172
Foreign coffee, East Indies, . . .	8,675,197	14,150,924
Foreign coffee, otherwise imported,	81,125	77,480
	28,744,425	28,723,735

If we estimate the annual consumption of coffee in this country at 25,000,000 of pounds, or 250,000 cwts., and the artificial rise of price at 30s. per cwt., the annual tax which the monopoly imposes will amount to about £375,000 a-year. But this useless addition to the heavy burdens of the country, how-

ever oppressive, is far from being the greatest evil of the monopoly. Sugar and coffee are the two great staples of the Brazils, of Cuba, St Domingo, Java, and the other islands in the Asiatic archipelago. The rejection of those articles in return for manufactures, narrows the circle of commercial exchange with all those countries. The refusal of payment in the only equivalent which they have to give, raises up an obstacle to the purchase of British goods; it thus embarrasses the general trade of the country, to favour a particular branch of it; and we provoke the enmity and retaliation of those nations whose produce we in this manner proscribe from our markets. The present treaty with the Brazils, which ceases in 1844, admits British goods at a duty of 15 per cent.; and they are imported to the annual amount of five millions sterling.[1] According to the testimony of different merchants, those import duties will be greatly raised when the treaty expires, provided Great Britain continues the present prohibitory duties on the produce of Brazil; while, on the other hand, a relaxation of the discriminating duties on coffee and sugar would lead to an increased demand for British goods. These are at present in danger of being superseded by the manufactures of Germany, Austria, Switzerland, and other countries, which receive in return the produce of the Brazils at moderate duties.

A still greater evil of the monopoly is, that in raising the price of coffee, and indirectly that of tea, by raising the price of sugar, it discourages the consump-

[1] Select Committee on the Import Duties, p. 141; Evidence of Mr Moore.

tion of those articles, a taste for which is highly favourable both to health and morals, superseding, as they do, the use of ardent spirits, that never-failing source of vice and misery. Numerous houses have been, of late years, established in London and other places, which are open from about four in the morning till ten at night, where the labourer, before entering on his daily toil, can have a cup of coffee, with a slice of bread and butter, for 1d.; his breakfast at a later hour, for 3d.; and if he bring his dinner, he may sit down to it in a comfortable room, and have coffee and bread on the same terms. About 1500 or 1600 persons frequent some of these places of entertainment in a day; where, along with refreshments, they are furnished with newspapers, and all the other publications of the day. Such establishments are extremely favourable to regular and sober habits. They are schools of temperance, where the doctrine is not preached, but practised; and are infinitely better fitted for their laudable purposes than the costly projects which are daily set on foot for the instruction of the poor, with their salaried teachers, both lay and clerical. Thousands of pounds may be laid out by authority in education schemes, without half the usefulness of this simple establishment, which is a real blessing to the poor, well meriting the favour of a wise and paternal government; but which the monopoly tends to discourage, by raising the price of those articles on the sale of which its prosperity depends.

The duties were reduced by the tariff of 1842 to 4d. per lb. on coffee from the British possessions, and to 8d. on all foreign coffee.

CHAPTER IX.

TARIFF OF GREAT BRITAIN.

Not founded on any consistent principles.—Favourable to monopoly. —Inconsistent in its details.—Comprises almost every article of consumption.—Duties numerous.—Revenue chiefly arises from a few articles.—Revision by Mr Huskisson in 1825.—30 per cent. fixed as the maximum of duty.—Protecting duties reduced on manufactures.—The impolicy of these duties.—Reduction of the duties on metals.—Reduction of duties on manufactures of little effect in practice.—Revision of the British tariff in 1842.—Highest protecting duty fixed at 20 per cent.—Principle on which founded. —Protecting duties on agricultural produce.—Repealed or reduced.—Duty on spices, foreign fruits; on oils, dye-stuffs, drugs, &c.; on skins, furs, and peltry; on boots, shoes, gloves, and other articles; on metals.—Admission of live-stock.—Just in principle.—Of no great practical benefit.—Differential duties in favour of the colonies.—Wrong in principle.—Great defect of the British tariff.—Its multifarious details.—Almost the whole revenue yielded by a few articles, to which taxation should be confined.—Difficulty of carrying into effect this reform.—Timber duties.—Their reduction and regulations a great practical improvement.—Account of these duties.—The inequality of their operation.—The protection which they give to Canada timber.—Those defects corrected or diminished by the new tariff.

THE chief sources from which Great Britain derives her vast revenues have been treated of in the preceding chapters. Her list of import duties, comprehending a variety of minor articles, which, though numerous, yield an inconsiderable revenue, still remains to be considered. In this complicated scheme, taxes have been imposed at different times, and often increased rather with a view to the existing emergency, than on any due consideration of their expe-

diency. The system bears evident marks of incongruity in its details; and it is, besides, founded on the principle of monopoly, from which it is by no means yet freed; though it has been amended by the reform of Mr Huskisson in 1825, and still more by that of Sir R. Peel in 1842.

In this tariff is included almost every foreign article of consumption, however trifling: foreign fruits, and luxuries of every description; numerous articles of food or medicine; the raw materials of industry, or such as are useful in manufactures, the most important of which have been already considered. On all of these, heavy taxes have been imposed for the sake of revenue, or for the protection of domestic industry, and often of colonial produce. Though it is true, as remarked by the Select Committee on the Import Duties, that the British tariff, as it was originally devised, presented neither congruity nor unity of purpose; yet in its leading principle of monopoly, in the exclusion of foreign produce from the British market, whether of land or labour, it was marvellously consistent. This object is never lost sight of; namely, to give the monopoly of the home market to the manufacturer, or to the landowner. Every article in which they were dealers; everything which bears any touch of foreign industry; provisions of every description, were interdicted from this country, either directly, or by heavy duties. Live cattle, fresh or salted meat, were prohibited; bacon, butter, cheese, eggs, and finally corn, were all liable to import duties more or less heavy; while the home manufacturer was in like manner protected by exorbitant

duties on the importation of foreign goods. There were, indeed, several exceptions, as of articles which were deemed useful in manufactures. But even these, in the course of the last war with France, were mostly brought under the general rule of heavy taxation, though frequently to the injury of domestic industry.

The want of congruity or unity of purpose, remarked in the Report of the Select Committee, is also manifest in the numerous trifling duties scattered, apparently at random, over the multitude of articles which swell the tariff list. The schedule which is attached to the act, for the consolidation of the Customs, enumerates 1150 articles on which specific duties were charged; besides others not enumerated, and which paid some a duty of 5 per cent., though the more common rate was 20 per cent. In 1840, the revenue of the Customs amounted to £22,962,610, of which ten articles yielded £20,871,136; six other articles, £1,147,148; making together, £22,018,284, and leaving the remaining sum of £944,326 to be made up by 1136 minor articles.[1] The Report of the Select Committee contains an abstract of those duties, under eight separate heads, according to their amount, which is subjoined; and from which it will be observed, from how small a number of articles almost the whole revenue was, and still is, derived.

Schedule 1, containing 349 articles, producing less than £100 each of customs, ...	£8050
Schedule 2, containing 132 articles, producing from £100 to £500 each, ...	31,029

[1] Report on Import Duties, p. 6; Evidence of J. Macgregor, Esq.

Schedule 3, containing 45, £500 to £1000 each, .	£32,056
Schedule 4, containing 107, £1000 to £5000 each, .	244,733
Schedule 5, containing 63, £5000 to £100,000 each,	1,397,324
Schedule 6, containing 10, £100,000 to £500,000 each,	1,838,630
Schedule 7, containing 9, £500,000 each, and upwards, ...	18,575,071
Schedule 8, containing 147, on which no duty has been received, but on which there has been an excess of drawback.	

There are in the tariff of 1840, 147 articles on which the drawback and allowances exceed the receipt; 340 on which the revenue is not equal to the expense of the collection, or the trouble which it occasions to the merchant, and of which the whole produce only amounted to £8050.[1] A tax of 50 or even 100 per cent., is often found to produce less than £20, and in several cases not £1 in a year; the smallness of the revenue, in proportion to the duty, arising either from the limited demand for the article, or from its importation, and, consequently, the revenue that would have been received from it, having been prevented by the great amount of the tax.

The Committee on the Import Duties, after stating that there are 1150 different rates of duty chargeable on imported articles, all other commodities paying duties as unenumerated, adds the following just and conclusive remarks:—"Very few of such rates appear to have been determined by any recognised standard; and it would be difficult for any person unacquainted with the details of the tariff, to estimate the probable amount of duty to

[1] Report on the Import Duties, p. 4.

which any given commodity would be found subjected. There are cases where the duties levied are simple and comprehensive; others where they fall into details both vexatious and embarrassing. The tariff often aims at incompatible ends; the duties are sometimes meant to be both productive of revenue and for protective objects, which are frequently inconsistent with each other: hence they sometimes operate to the complete exclusion of foreign produce, and, in so far, no revenue can of course be received; and sometimes, when the duty is inordinately high, the amount of revenue becomes, in consequence, trifling."

During the vast expenditure of the French war, the taxation of the country was continually increasing; every succeeding year still brought with it some new burden; and ministers, wholly absorbed in the difficult task of providing the necessary supplies, had no leisure for the consideration of matters that appeared less urgent. But when those demands ceased with the return of peace, it was found expedient to repeal or reduce several of the most oppressive taxes that had been imposed during the war. Other beneficial reforms were carried into effect; and in 1825, a general revision of the tariff was undertaken by Mr Huskisson, on the principle of repealing or reducing the high duties that had been imposed on the importation of foreign goods. A new tariff was accordingly adopted, in which it was proposed that no protecting duty should exceed 30 per cent. The following are among the chief articles on which the duties were reduced:—

cotton goods, formerly prohibited, from 75 and 50 to	10 per cent.
On woollen goods, formerly prohibited, from £67, 10s. and 50 to	15 per cent.
On linen, from £180 and 40 to	25 per cent.
On paper, for prohibitory duties, per lb., 3d.; on other descriptions of paper, duties still prohibitory.	
On crown-glass, per cwt., ...	£8 6 8
Other descriptions, duties equally prohibitory.	
On articles of glass not enumerated, from 80 per cent. to	20 per cent.
On iron, from £6, 10s. per ton, to	£1 10 0
Articles of iron not enumerated, ...	20 per cent.
Copper, from £54 per ton, to	£12 0 0
Spelter, from £28 per ton, to . . . £14 and	£10 0 0
Tin, from £5, 9s. 3d. per cwt., or about £110 per ton, to	30 per cent.
Lead, from 20 to	15 per cent.

On a variety of other minor articles also, the exorbitant duties that had been imposed during the war were lowered.

Prohibitions and restrictions are injurious to the trade of all countries; but in the case of Britain they are peculiarly impolitic: because, from her superiority over other nations in art and industry, her manufactures need no protection. They are cheaper and better than those that are brought from abroad: and hence obtain a preference in the market without the aid of protecting duties. Of all nations Great Britain had the least reason to follow this perverted policy. Her manufactures have flourished in consequence of her vast capital and superior skill; and seeing that they have always made their way in other countries, and that the foreign manufacturer

is undersold in his own market, how unnecessary is it to protect them by discriminating duties against foreign competition at home. That other countries should protect their inferior artisans in their unequal rivalry with British skill, is a natural, though mistaken policy. But all that Britain ought to desire, is a fair field and no favour; and, in place of imposing restrictions on trade, her interest is rather to impress on other nations the opposite policy, both by precept and example.

The decided superiority of British manufactures is also attested by the extent of their sale abroad, compared with the trifling demand for foreign manufactures in return; and this disproportion has been in no degree affected by the amended tariff of 1825. Nor was this to be expected: for if the foreign manufacturer was undersold in his own market by his British rival, on equal terms, or with the advantage of a protecting duty, how could he look for better success in the British market with a protecting duty against him of from 10 to 30 per cent. This reduction of duty did not, therefore, materially alter the course of trade. It did not lead to the introduction of foreign manufactures into the British market. Silk goods, indeed, on which a duty of 30 per cent. had been previously substituted for a prohibition, were imported to some extent; or rather, they were legally imported, in place of being smuggled, as before. But the vast exportation of British manufactures still presented a remarkable contrast to the quantity imported. In 1841, cotton goods were exported to the estimated value of £23,499,478; while the duty of 10 per cent.

on those imported, only amounted to £8363. The value of the woollen manufactures exported is estimated at £8,876,653, while the duty of 15 per cent. on those imported, amounted to £17,613. In other manufactures, the excess was as before, wholly on the side of exportation.

Among the other evils of those restrictions, it was found that other nations readily imbibed the lessons which we taught, and even bettered our instructions. The restraints which Great Britain imposed on others still recoiled on herself; and it was evident, that an obstinate perseverance in this false course, would entail on her commerce counter-restrictions in other markets: and that thus proscribed and hemmed in on every side, and gradually driven from its former channels, it would be forced at last within its own narrow territory, not by the superior skill against which the rulers of the country were so anxious to provide, but by the hostility of jealous rivals, justly incensed at the previous unfair proscription of their own trade by the British laws.

Heavy duties had been imposed, partly for protection and partly for revenue, on various sorts of rude produce, as on metals. On iron, the duty was raised from £2, 1s. 6d. in British, and £2, 10s. in foreign ships, to £6, 10s. and £6, 18s. 10d. in the course of the last French war. Still heavier duties restrained the importation of the other metals. On copper, the import duty was £54 per ton; on tin, £5, 9s. 3d. per cwt., or above £100 per ton; on lead, 20 per cent.; and on zinc, or spelter, £28 per ton, or above £100 per cent.; and while the importation of those

metals, the foundation of important manufactures, was thus restrained by heavy duties, other articles of less importance were, on the ground of their utility to commerce, either not at all, or very lightly taxed. The import duties on cochineal, indigo, and generally on all dyeing drugs, were repealed; and in contravention of the much-boasted Navigation laws, they were at times admitted directly from any country in Europe, though not the produce of that country.

Though in practice the reduced tariff of Mr Huskisson, on manufactures, was of little avail, owing to the high protecting duties of 15, 25, and 30 per cent. that were still in force; the reduction of the import duties on iron, copper, lead, &c., was still found to be a practical advantage. The protecting duties of Great Britain were generally directed to the exclusion of foreign produce. But in some cases they favoured one branch of internal trade by injuring another. Such was the effect of those that were imposed on metals, which form the basis of important manufactures; and of which the foreign supply being obstructed by heavy duties, the price was raised, and a bounty was thus given on their production at home. But by this rise in the price of the raw material, the manufacturer of this country was placed under a disadvantage in the foreign market, where he was met by cheaper goods made from the untaxed materials that were obtained abroad. The British manufactures in iron, brass, and copper, which depended on a foreign supply of the raw material, were injured by those heavy import duties. The duty of £6, 10s. per ton on iron, of which the

uses are so various and important—which is indispensable in the construction of machinery, as also in many important manufactures, and more or less used in all—amounted, when the price fell from £18 and £20 to £7, to nearly 100 per cent.; and giving the monopoly of the home market to the iron-masters, would have certainly proved injurious to the hardware manufactures of Sheffield and Birmingham, if they had continued to depend wholly on the foreign supply. No superior skill of the British workman could have counterbalanced so heavy a duty. But the quantity of iron produced at home began, about the year 1788, so greatly to increase, owing to the improved process that had been adopted of making iron with pit-coal in place of charcoal, and of using the steam-engine for blowing the furnace, as to exceed the demand, and for the first time to leave a surplus for exportation. At a later period, the introduction of hot air in the blast-furnace gave such increased facilities for the smelting of iron, that the quantity produced was greatly increased; and Great Britain, in place of importing, now largely supplies other countries with this necessary article. In the new tariff of 1825, the duty on bar-iron was reduced to £4, 10s. per ton, whether imported in British or in foreign ships. The increased produce, however, at home, superseded the necessity of any foreign supply, excepting of Swedish or of Russian iron for the manufacture of steel, to which it is peculiarly adapted; and the quantity imported, has accordingly rather fallen off. From 1786 to 1796 it varied from 44,000 to 54,000 tons. Its yearly amount, for past

years, has been from 10,000 to 20,000 tons; and the produce of the duty has varied from £28,110, its amount in 1836, to £20,589, its amount in 1840. The export in 1806, was 28,000 tons; in 1835, 178,000; and in 1838, 225,317 tons. The quantity produced annually at home, is estimated at 1,500,000 tons; so that, greatly as the consumption has increased, it is still exceeded by the supply. The produce of other metals, such as copper, on which the duties are now reduced, had been increasing at home. But the exclusion, by heavy duties, of this metal, the material of important manufactures, was still attended with serious disadvantages: the British manufacturer, though its price was reduced abroad by the discovery of richer mines, being confined, by the heavy duty, to the use of the dearer article at home. Copper is, besides, of various qualities, adapted to particular uses; and it is of advantage that the manufacturer should have the power of selecting, from all the varieties of the metal, that which he finds best adapted to his purpose. Other metals, such as tin and lead, on which Mr Huskisson now reduced the import duties, are also produced in sufficient abundance to supply the home demand. The produce of zinc, or spelter, used along with copper in the manufacture of brass, from the few indifferent mines in this country, is not abundant; and the reduction of the duty, by admitting more freely the foreign supply and reducing the price, gave rise to new manufactures, in which that article was chiefly used; and also promoted the prosperity of the manufactures in brass. The reduction of the import duty on the raw material, is a necessary step

to the repeal of the protecting duty of 30 per cent. on the foreign manufactures; which, in this case, most of those acquainted with the trade declare, would be no longer necessary.[1]

The revision of the British tariff in 1842, was followed by important amendments, which proceeded generally on the principle of substituting duties for prohibitions; of reducing duties on the materials of industry to a merely nominal amount; and on half manufactured articles to the moderate rate of 10 per cent.; while the maximum of protecting duties was fixed at 20 per cent.

By this new measure, the importation of agricultural produce, hitherto impeded, either by prohibitions, or by heavy duties, which had the same effect, was materially facilitated. Cattle, formerly prohibited, were admitted at a duty of £1 per head; calves, sheep, hogs, and other animals, at proportionally lower duties, and at half these duties from the British colonies; and fresh meat, or slightly salted, at a duty of 8s. per cwt. On salmon and soles, a duty was substituted for a prohibition; and on herrings, potatoes, onions, the heavy prohibitory duties were greatly lowered. On bacon, hams, and tongues, the duty was decreased; on the two former articles, 14s. per cwt. being substituted for 28s.; while on the same articles from the colonies, the duties were lowered by more than one half. No abatement was made in the import duties on butter, cheese, or eggs; which produced above £400,000

[1] See Minutes of Evidence taken before the Select Committee on the Import Duties, pp. 96, 97, Questions 1185, 1186, &c.

a-year. They were, however, reduced in favour of the colonies. The import duties were also reduced on various other articles, such as clover-seed, linseed, rape-seed, &c., of which, for the encouragement of agriculture, a lower price was thought expedient.

On spices, the existing duties were mostly retained. They were generally of small amount, and they had been previously reduced; that on pepper from 2s. 6d. to 6d., with some injury to the revenue, and with little benefit to the consumer.

Foreign fruits, with the exception of almonds, currants, oranges, prunes, raisins, &c., on most of which articles the duties had been previously reduced, yield so trifling a revenue, that it is of no great moment how the duties are arranged. Where they were altered, however, they were generally diminished.

On woods for cabinet-work, the heavy duties were lowered; on mahogany, the most important of all, from £5 to £1; on rosewood, from £6 to £1 per ton; and on other articles less important, in proportion.

Though the internal supply of copper had been for some years equal to the consumption, yet the prohibition to smelt foreign copper, except to be re-exported, was injurious to British industry; as it not only prevented the workers in copper from obtaining the abundant produce of South America, and thus from using an equally cheap material with the manufacturer abroad; but in smelting the copper of the foreign mines for re-exportation, they were furnishing their rivals abroad with an article which would enable them to work cheaper than themselves; while they

were debarred from its use in the same manufacture, though the produce of their superior skill, by their own mistaken policy. The repeal of these injurious restrictions on the importation of copper, and the substitution of a duty for a prohibition, was beneficial both to trade and revenue; the duty yielding, in 1842, a revenue of £15,688.[1] The exclusion of the foreign article, though it favours the production at home, discourages other branches of industry and trade in general, as well by raising the price of goods, as by the rejection, in exchange for our own goods, of the staples of other countries. The abundant mines of Chili and of Cuba furnish a supply of copper for exportation, which if we reject, we necessarily limit our trade with those countries; besides refusing an article, the refinement of which, from its rough state, affords employment for capital and industry.

The reduction of those high duties by Mr Huskisson was not injurious to the business of mining, or of smelting the ores, for which the abundance of coal in this country affords peculiar advantages; while the reduction of the duty on zinc, or spelter, which was now still farther reduced, gave rise to different manufactures, of which that article was the basis: and the proposed tariff of Sir R. Peel was calculated to increase, and farther to extend these advantages; while the loss of the trifling revenue which the repealed or reduced duties produced, that from zinc being, in 1840, only £9053, was of little moment.

[1] See Sir R. Peel's Speech on the Tariff.

Under the head of oils, extracts, perfumery, dye-stuffs, drugs, resins, &c., are included several articles useful in manufactures; such as olive and palm oil, spermaceti and train oil, on which the duty was reduced from £26, 12s., which was prohibitory, and consequently yielded nothing, to £6 per ton, which produced a revenue, in 1842, of £11,042; also bark, indigo, madder, gum: on most of these the duties are reduced for the benefit of those branches of industry in which they are employed. But on the other numerous articles on the list, the trifling duty received not amounting, on any one out of 140 articles, to £1000 a-year, marks their limited use, and their little importance, with any view either to trade or revenue. The only improvement that could be adopted in this case, was their entire repeal.

Of the articles included under the title of skins, furs, and peltry, there are only two, namely, hides dry and wet, which yield a revenue of any consequence. On these the duty was reduced: on foreign skins, and numerous articles of peltry, it was in some cases raised, in others diminished. On a due consideration, however, of the peculiar circumstances, in every case on raw and undressed skins, the duty was reduced from 20 to 5 per cent.; on tanned and curried skins, from 30 to 10; and on manufactured articles of skins and furs, from 75 to 20 per cent.; the remaining articles of peltry, though numerous, only yielded a trifling revenue.

On all manufactures the protecting duties were reduced. It was justly stated, and is indeed well known, that heavy duties afford no protection to the

home manufactures; their only effect is to substitute an illicit for a legal trade, by which, for a given premium, contraband articles are introduced into the market to any amount." No prohibitory duties have ever yet been able to suppress the influx into this country of light and fancy goods from France. The expediency of moderate duties is therefore apparent; and the principle acted upon by Mr Huskisson in 1825, was still followed out by Sir R. Peel in the tariff of 1842. The protecting duties on the cotton and woollen manufactures had been already reduced to 10 and 15 per cent.; on those of brass and copper, china and porcelain, they were reduced from 30; on those of tin, from 25; on certain sorts of linen, from 40 to 15 per cent. On manufactures of leather, such as boots, shoes, the duty was reduced from £1, 10s. on a dozen pairs, to 12s.; on shoes of satin, silk, or other stuffs, from 18s. to 9s.; on all descriptions of gloves, nearly one half. The regulation of the silk trade in 1825, and the reduction of the duties, superseded the necessity of any further interference with that important branch of industry; and the duties, with the exception of those on thrown silks and organzines, which were reduced, were allowed to remain, on the protecting duties of manufactured articles, at 30 per cent.

Such appear to be the chief details of this important reform, which sufficiently attest its liberal purpose of removing impolitic restrictions, and of bringing back taxation to its true principles, as an instrument of revenue and not of restraint. It is in this view, as a standing precedent of just and enlightened policy,

that it was more valued by many, than for its practical results. It was stated, and no doubt truly, that the prohibition to import cattle into this country, however wrong in principle, never occasioned any real injury; and that the substitution of a duty for a prohibition, only gave permission to a trade which circumstances did not encourage, and which it was clear could not be effectually prosecuted for years to come. In support of those views, the condition of the breeding countries on the continent was pointed out; hardly any of which reared cattle for exportation. In the pastoral districts of Germany, sheep are reared for the fleece and the wool; and as the mode of treatment by which these are improved deteriorates the flesh of the animal, the worthlessness of the carcass, the expense of the voyage to Britain, and finally, the tax, must, it was stated, present insuperable obstacles to the prosecution of this trade. It was added, that the impossibility of bringing from the continent such a supply of cattle as would lower the price of meat in Britain, was further proved by all the statistical information that was collected respecting those countries. The truth of these statements cannot be questioned; and, accordingly, not more than 3155 living animals were imported during the first six months of the year 1843; and the profit gained was not such as to encourage a fresh importation. Still, the repeal of the prohibition was an important reform. Commerce, when it is chained down by restrictions, must remain inactive. Its native vigour cannot be displayed. It is only when the weight which depresses the elastic

springs of industry is withdrawn, that its energies can be fully discerned: and hence, though no immediate results have yet followed the opening of this trade, yet the obstacles to a free intercourse being removed, the large demands and high prices in this country will in time afford an inducement to those pastoral countries to improve their natural resources, and to raise supplies for the British market, where they can be profitably exchanged for the products of industry. And thus both parties will mutually profit: Great Britain by a reduction of her prices, always high; and the exporting countries by an increase in their low prices, and the stimulus that will thus be given to their languishing industry. Accordingly, it is now found, that though other articles, such as meat, bacon, &c., on which the duties were reduced, were not at first brought into the country to any great amount, the trade has already begun to increase; and vessels arrive from the United States with those articles for their sole cargo, much improved in their quality. Such is the stimulus, therefore, that this just and wise measure for the repeal of prohibitions and protecting duties, resolutely carried through in the face of violent opposition and prejudice, has already given to a trade, almost new; and which will, no doubt, be gradually extended, with a further experience of its benefits.

The long list of differential duties imposed by this amended tariff on numerous foreign articles, for the protection of colonial produce, is inconsistent with the general character of the measure; and though it cannot seriously affect the course of trade, it is still

a movement in the wrong course—an error in principle, which gives a sanction to the maxims of monopoly: and the danger is, that, under its fostering influence, a trade may gradually arise depending on protection; and a numerous class, profiting by the abuse, whose willing and often effectual aid can always be depended on to oppose a return to a wiser policy. Circumstances concurring with the spirit of the times, had deeply encroached on the colonial monopoly; this antiquated fabric of impolicy and injustice, undermined by the progressing knowledge of the age, was tottering to its fall; and to put together and repair its decaying fragments, was indeed a retrograde step, at variance with the spirit of this generally enlightened measure, that can only be ascribed to the influence of adverse and powerful interests, which too often, in this country, fetter the policy of the State. Great Britain has frequently experienced the injury, as well as the reproach of colonial monopoly, in her intercourse with foreign States. It was this monopoly which so long perplexed her negotiations with the United States, after the restoration of peace in 1816; and which ended, at last, after the proscription of each other's commerce was threatened on both sides, in a compromise, which is still a source of heart-burning in America, owing to the restrictions laid on her intercourse with the British colonies. Nor were these restrictions less forcibly dissuaded by the adverse aspect of other commercial States, namely, the Germanic Union, Portugal, Spain, France, the Brazils, and others of less importance, whose hostile tariffs had

already narrowed the sphere of British commerce. It is of great moment, at present, to secure the confidence of the Germanic Union, instituted for the freedom of domestic trade, and ready to retaliate the restrictions of other nations. In 1842, an increase of the import duties on the iron wares, cotton twist, linen yarns, and mixed woollen goods of Great Britain, was proposed by the Union; and the alarm excited by the threatened loss of those foreign markets sufficiently attests their importance. The British envoys at the German courts were severally instructed to join in immediate remonstrances on the subject; to set forth, to the best advantage, the late reforms in the British tariff; the reduction of the import duties on corn and on wood; and to sound forth the praises of this country as the patron of free trade. The total abolition of protecting duties on manufactures, or their reduction on important articles, such as sugar or corn, would, at this time, have proved an irresistible argument in favour of British commerce. But in dealing only with the minor monopolies, and not with those that are of still greater importance, and in appending the badge of monopoly to a measure generally fair and liberal, Great Britain placed herself in a false position with foreign nations, who take her commercial creed from her actions rather than from her words; and though there is much to commend in her recent policy, yet it cannot be denied that its exceptions and inconsistencies somewhat detract from its value as an example to other countries.

In this revision of the British tariff, no retrench-

ment was made of the multifarious details by which it was encumbered. Of the whole revenue of the Customs, amounting, in the year 1842, to £20,158,504, the chief proportion, namely £19,178,977, was derived from nineteen different imports, of which a list is subjoined;[1] the remaining £979,527 being made up of numerous duties imposed on trifling articles, such as arrow-root, tapioca, vermicelli; foreign fruits of limited consumption; spiceries, such as cinnamon, cloves, ginger, mace, &c.; seeds of different kinds, on which the produce of the duties, with the excep-

[1] Revenue yielded in 1842 by nineteen different articles:—

Article	Revenue
Butter,	£187,921
Corn,	1,294,669
Currants,	227,765
Molasses,	254,165
Raisins,	143,853
Silk,	210,725
Rum,	973,608
Brandy,	1,216,783
Sugar,	4,425,760
Tallow,	163,266
Lemons and Oranges,	68,098
Cheese,	98,092
Pepper,	66,469
Seeds of all sorts, including Tares,	182,600
Wood and Timber,	903,348
Tea,	3,532,934
Tobacco,	2,724,997
Wine,	1,201,198
Wool,	661,773
	19,178,977
Amount of Revenue for 1842,	20,158,504
	979,527

tion of clover and linseed, is trifling; foreign woods, of which, with the exception of mahogany, and one or two other woods, no one article yielded in 1840, £1000, some not £100 a-year; oils, extracts, and perfumery, from which, with the exception of olive and palm oil, the revenue is scarcely worth the collection—from many articles not being £100; from others not £1 in the year; and from not a few, *nil* was the return; dyers' stuffs, drugs, &c., of which, from about 140 articles, not above six or seven yielded, in 1840, £1000; many not £100 a-year.[1] The repeal of the taxes on these trifling articles would be extremely beneficial; it would relieve commerce from the delay and vexation incident to petty details, while, in simplifying the business, it would reduce also the expense, of the Customs. If the tariff were extended to twenty-eight additional articles, of which a list is subjoined,[2] the deficit

[1] See Tables of the New Duties of Customs, officially compiled from authentic documents.

[2] Twenty-eight articles, the addition of which to other nineteen, would raise the revenue of the Customs to £19,713,693, less only by £444,811 than at present:—

	Produce in 1842.
Almonds,	£6,505
Bark, reduced from 8d. and 1d. to 3d.,	10,838
Brimstone, same duty,	8,269
Bristles,	24,082
Cocoa, Cocoa-nut husks and shells, and Chocolate, 6d. and 4d., to 4d.,	14,055
Chicory, and other vegetable matter applicable to its uses, do.,	21,211
Clocks,	6,373
Copper Ore,	15,688
Carried over,	£107,021

would be reduced to £438,691, which could be made up with little difficulty. In place, therefore, of the laborious regulation of minute details, the important reform of the British tariff would be, by one stroke of the pen to clear away this rubbish of petty duties, which scarcely repay the cost of collection, and to confine taxation to the great leading articles of consumption. The deficiency of revenue occasioned by this reform would only be £979,527, or £438,691, if we add the twenty-eight articles enumerated, which might partly be made up by the regulation of other taxes. No existing interest could be injured

Brought forward,	£107,021
Cork, unmanufactured	15,974
Mahogany,	13,513
Eggs,	32,642
Figs,	17,724
Bottles, green, or covered with wicker,	14,951
Hides,	25,898
Indigo,	15,821
Iron, in bars,	16,800
Leather gloves,	27,464
Linens,	10,827
Liquorice juice and paste,	15,419
Nutmegs,	21,866
Nuts,	40,927
Olive oil,	27,528
Palm,	13,575
Train, spermaceti, and blubber,	11,042
Rice,	10,206
Silk, raw, thrown silk, manufactures of the East Indies,	62,388
Skins and furs,	19,533
Turpentine,	19,727
	£540,836

by the repeal of those minor duties, while trade would be released from the shackles which they impose; to the great relief of the merchant, whose goods, no longer placed in bond for the payment of trifling imports, would be at once carried from the ship to his own warehouse. But, considering the alarm that was raised among all the dealers whose craft was but slightly touched by the proposed reform—how the agriculturists and graziers saw absolute ruin in the proposed admission into the country of foreign cattle; and every petty dealer the loss of his business, from the slightest reduction of the duties which protected his craft, the influence of the minister, great as it was, would hardly have carried, against hostile and powerful interests, the bolder measure of repealing, in place of modifying, obnoxious duties and prohibitions.

The reduction of the Timber duties, and the change in the mode of assessing them, was a practical improvement calculated to benefit both the merchant and the consumer. Those duties amounted originally to 6s. 8d. on the load of timber containing 50 cubic feet, and to £2, 13s. on the 120 deals from 8 to 20 feet in length, and 3½ inches in thickness. On other descriptions of timber, such as battens, boards, spars, staves, &c., duties were levied in proportion; and so long as they continued at this moderate rate, they occasioned no inconvenience. But they were gradually increased from 6s. 8d. to 10s., 14s., 16s., £1, and £1, 7s. 4d.; and in 1811, they were doubled, amounting to £2, 14s. 8d. per load. They were afterwards raised to £3, 5s.; and in 1821, fixed at £2, 15s.,

when a duty of 10s. per load was first laid on Canada timber. The duty on deals, and on all wood sawn or split, was at the same time raised from £2, 13s. on 120 deals from 8 to 20 feet long and 3½ inches thick, to above £20. In 1821, it was fixed at £19 on 120 deals from 6 to 16 feet long; and at £22 where the length was from 16 to 21 feet. On Canada deals of equal size, a duty was imposed, at the same time, of £2 and £2, 10s. on the 120 deals.

The chief objections to those duties were—1st, Their amount, by which the price of timber was unduly augmented, and the trade placed under injurious restraints; 2d, The mode in which they were assessed, which caused them to fall unequally on different descriptions of timber; and, 3d, The encouragement given to import the inferior timber of Canada in preference to the superior timber from the northern countries of Europe.

I. In every country the demand for such articles as timber, iron, flax, hemp, wool, coal, &c., the rude produce of the soil, increases with the progress of wealth and industry; and the supply, generally deficient, must be drawn from those countries where the materials of industry are not in the same demand. No article is in such universal use as timber. It is the chief material in house-building, in ship-building; in household furniture; in carriages of every description, from the chariot to the humble cart; in machinery for the aid of industry, the most complicated as well as the simplest; and it is used for other articles, more or less important, such as packing boxes, musical instruments, and various other imple-

ments of trade or manufacture. On such an article—one of the primary materials of industry—a heavy tax must be a clog on the whole business of a commercial country.

The annual deficiency in the home supply of timber, has been estimated in Britain at above one million of loads of 50 cubic feet; and it has been supplied partly from Europe, though, in later times, chiefly from the Canadas. The cost of Dantzic, Memel, and Riga timber, has been computed at 46s. or 52s. per load; the freight, which is more than the first cost, and the other charges, constituting a material element in the price.[1] A tax of £2, 15s. on the load of timber amounts, consequently, to more than 100 per cent. on the price, and the tax on deals is about the same rate: an oppressive duty on an article in such general use, which, by raising its price, tends to check improvement, and, by its unequal operation, to divert the trade out of its natural course.

II. The inequality of the duty, from its being imposed without distinction on deals of different lengths and thicknesses, did not affect the manufacture while it continued at the moderate rate of 5½, or 1s. on the deal; 12 feet being still adopted as its convenient length, notwithstanding the increase of duty thereby incurred. This inequality became of more importance as the duty was increased; and deals were sought for of greater lengths, which, for the same duty, contained a greater quantity of wood. Until the year

[1] Report of Select Committee on the Timber Duties, 1835; Evidence of H. Warburton, Esq., par. 5109, pp. 345, 346, 347.

1821, the duty was the same on all deals from 8 to 20 feet in length, and there was no limitation of the breadth. Hence, on 120 deals of the small size, the duty amounted to £5, 3s. 11d. per load; and on the same number of a larger size to only £1, 16s. 7¾d.[1] In 1821, a new regulation took place, by which a duty of £19 was imposed on 120 deals from 6 to 16 feet in length; and of £22 where the length was from 16 to 21 feet. This new scale of duties still produced serious inequalities between the longer and the shorter deals; and also between timber in deals and in the log, measured according to its cubic contents. Archangel logs, for example, 21 feet long, and 11 inches wide, and 3 inches thick, would produce 11 loads of timber and 27 feet, on which the duty, at £2, 15s. per load, would amount to £31, 14s. 8d., while they only paid £22, which is at the rate of £1, 18s. 1d. per load. The long hundred of Norway deals, again, or 120, 14½ feet long, 9 inches broad, and 3 inches thick, which produces only 6 loads and 15 feet of timber, paid £19 of duty; which amounts to £3 per load, or 5s. more than the duty on the log.

The heavy duty falling more lightly on the long than on the short deals, created a demand in this country for the latter, and limited, consequently, the import of wood to those countries from which a supply of long deals could be obtained. From Norway, accordingly, the import of deals has greatly fallen off. The timber grown in that country is not

[1] See Report of the Lords' Committee on Foreign Trade, 3d July, 1820. Evidence of Jas. Borthwick, Leith, p. 69.

of the lengths that are required; nor are the rivers of sufficient depth to float down this large timber to the sea. The trade in wood has accordingly fallen off with this country, in consequence of the unequal duty imposed by the operation of the British tariff.[1] The former, and the most convenient, lengths of Norway deals, was 12 feet. The duty on this short length being, in this country, the same as on the longest, they ceased to be brought to the British market, and have been generally sent to France and Holland. By the restraint thus imposed on the trade, the price of the timber was generally raised, owing to the great expense incurred in obtaining it of this large size.[2] The cubical contents of the deal—the only just standard of the duty—was as little attended to in the thickness as in the length. Whether the deal was 1½, 2, or 3 inches in thickness, it was liable to the same duty, which operated as a prohibition on the importation of all deals of a less thickness than 3 inches; though smaller deals are often required for many purposes; and the 3-inch deal, after being imported, had to be further divided, often with a waste of the wood: the regulation as to the thickness occasioning also the same waste in the original manufacture of the deal.[3]

III. The inequality in the relative duties imposed on Baltic and on Canada timber, entirely diverted

[1] Select Committee on Timber Duties; Minutes of Evidence, pp. 45, 46, 47; Evidence of Richard Norman, Esq., par. 557 *et seq.*

[2] Evidence of Richard Norman, Esq., par. 559.

[3] Ibid., pars. 572, 573. Of Mr Smirke, par. 3382 *et seq.*

the trade from its natural course, by artificially raising the price of the superior timber of Europe, and discouraging its consumption, and by introducing in its room the inferior timber of the British colonies. While the duty on European timber was gradually increased from 6s. 8d. to £3, 5s., and to £2, 15s. per load, Canada timber was only subjected to a duty of 10s. per load. The excess of duty on the European timber thus amounted to 45s. per load, which turned the balance entirely in favour of Canada timber; the importation of which increased from 5680 loads, in 1788, out of 209,162 loads, the whole amount of the timber imported at that time, to 416,830 loads out of 521,524 loads, the amount imported in 1833. This inequality of duty is in direct violation of that great maxim of trade, which is to buy cheapest and to sell dearest; since it sends the British ships across the Atlantic for a supply of timber, which might be obtained nearer home, of a better quality and at a cheaper rate. The freight of timber from Canada has been, for some years past, from 37s. to 41s. per load, which is more than half the price; while from Memel, Riga, Dantzic, and other European ports, it is not more than from 17s. to 21s. The impolicy of those heavy and unequal duties, and their injurious effects, are therefore obvious.

In the tariff now proposed, this heavy duty on timber was reduced from £2, 15s. per load, to £1, 12s., and after the 10th October, 1843, to £1, 5s.; on deals to £1, 18s., and to £1, 12s. also in 1843; and proportionally on other descriptions of timber, into

whatever form it was fashioned. The inequalities in the mode of assessment were also corrected. In lieu of the duties on the load of fifty cubic feet, the importer was allowed to enter deals, boards, battens, &c., by the tale; and a new scale was prepared, according to which the duty, increasing for every 3 feet in length from 6 to 21 feet; in like manner, from 1½ to 3¼ inches in thickness; and from 9½ to 11½ feet in breadth, was more accurately levied, as nearly as possible, according to the cubic contents of the wood.

CHAPTER X.

OF PROTECTING DUTIES ON THE PRODUCE OF LAND.

Price of grain always subject to regulation in Great Britain.—Bounty on exportation granted in 1688.—Quantity of grain exported since 1773.—Amount paid for bounty.—Exportation declined about the year 1770, and at last ceased.—Progress and prosperity of Britain.—Increase of inhabitants.—A supply of foreign corn required for their support.—Large supplies imported into Great Britain for the last seventy years.—Causes of this change.—Different laws enacted for regulating the foreign trade in corn.—Act of 1773, 1791, 1804.—Prosperity of agriculture till about the year 1814.—New law of 1815, of 1828, of 1842.—Principle of these laws.—Practical effect.—Comparative merits of a fixed duty and a sliding scale.—Corn-law associations.—Landholders.—Errors of both parties in overrating the importation of the foreign supply.—Practical inefficiency of corn laws from 1773 to 1815.—The trade nearly free.—The era of high prices and agricultural prosperity.—In 1821 the foreign supply only 34,275

quarters.—Low prices and depression of agriculture.—Insignificance of the foreign supply deduced from these facts.—State of agriculture for the last sixty or seventy years not dependent on the corn laws.—Price of corn, on which agriculture depends, fixed by causes beyond human control.—Corn laws not the cause of commercial distress.—Foreign corn never peremptorily excluded from this country.—Quantities imported during the operation of the corn laws.—No great interval between the present law and a free trade.—No data for exactly estimating the effect of a given addition to the supply on the price—may be calculated at 3s. per quarter.—Effects of a free trade on prices equally overrated by producers and by consumers.—High price in Britain would attract a foreign supply.—Equilibrium of price brought about more by a rise abroad than by a fall at home.—Mr Meek's estimate of the probable import of grain with a free trade.—Countervailing duty of 5s. proposed by Mr Ricardo on importation, and an equal bounty on exportation.—No ground for a countervailing duty.—Inefficiency of these artificial expedients.—A drain on the bank for gold and commercial distress ascribed to the corn laws.—This theory considered.—So great a quantity of gold not wanted in those countries which supply corn.—Foreign expenditure not defrayed by gold alone.—Its exportation not coincident with the import of corn.—The great evil of the corn law the principle on which it proceeds.

In Great Britain, the produce of the land has shared equally the protection of the Legislature with the produce of labour. The home manufacturer has been favoured by heavy duties on the importation of foreign goods, and the cultivator of the soil by bounties on the exportation of corn, or by duties on its importation, for the purpose either of enabling him, by selling his produce at a cheaper rate, to command the foreign market, or of securing to him, by an exclusion of foreign produce, the monopoly of his own. The price of grain has seldom or never been allowed, in this country, to find its level in the

market. The law has always interfered, either for the purpose of lowering it, or raising it. In the times of the Henries and the Edwards, it was for the purpose of reducing prices that laws were passed. It was with this view that exportation was restrained, and that severe penalties were also imposed, according to the fallacious maxims of that age, on the forestallers of the market. About the time of the Revolution this system was changed, through the prevailing influence, as is generally understood, of the landed proprietors; and in place of laws to make bread cheap, which was the policy of a former age, the great object was now to maintain a remunerating price; and this object has been pursued, with little interruption, to the present time. As the manufacturers had, by their importunate clamour, extorted from the Legislature ample securities against the importation of foreign goods, the landlords were not behind-hand in looking after their own interest, and in endeavouring to obtain an equally sure guarantee against the importation of foreign grain.

It was in 1688 that a bounty was first granted on the exportation of grain, of 15s. per quarter on wheat, while the price continued under 48s., at that time a high price; of 2s. 6d. on barley, under 24s.; and 3s. 6d. on rye, under 32s. The act of Charles II., which still continued in force, imposed prohibitory duties on importation, until the price rose to 50s. 4d., at that time an unusually high price; and a duty of 8s. while it was under 80s. a-quarter. The bounty, along, however, with other powerful causes, had the effect of sending abroad large supplies of

corn, during the greater part of the last century. From the year 1688 to 1773, the excess of corn exported amounted to 30,968,366 quarters, and the bounties paid to £6,237,176. In this country, as at present in Poland, Prussia, and Germany, as also in Ireland, agriculture had outstript the tardy progress of commerce ; its produce abounded more in the country than the produce of industry ; it was either more than sufficient for the wants of the manufacturing classes, or its price was higher than, in the state of wages, they could afford to pay ; and it was, therefore, sent abroad to the better market of Holland and the Low Countries ; which, it would appear, had, at that time, made greater advances in industry and wealth, and were able to buy it at a higher price. With the encouragement of the bounty, grain was often exported when it was wanted at home, to the injury of the poor, who were suffering from scarcity and high prices. On this account the law was occasionally suspended, and foreign grain imported, the high duties imposed by the 22 Charles II., being for the time remitted. About the year 1770, the exportation of corn from this country began to fall off, and the stream to set in slowly in an opposite direction. The progress of the country, which, from the beginning of the last century, had rather been languid, was now accelerated by many concurring causes. The general advance of science, the various inventions, and improved machinery, employed in every branch of productive industry, gave a prodigious impulse to manufactures ; and more especially after the close of the American war, the

increase and more equal distribution of wealth appeared in the improved condition of all classes. The greater demand for labour and the rise of wages was followed by an increase of inhabitants; and for their maintenance, the surplus produce, which was formerly sent abroad, was now retained at home, where prices began to rise with the progressive prosperity of the country. It is necessary, as has been elsewhere explained,[1] that the annual supply of corn should last until the supply of the following year be obtained; and where scarcity prevails, that the price should rise until it is so far placed out of the reach of the great body of the consumers, who are put on short allowance. But where the consumers are rich, a higher price will be necessary, to place corn out of their reach, than when they are poor; and hence the gradual rise which has taken place in this country, with the progress of industry and the more free circulation of wealth. It is a commonly-received notion, sanctioned by the authority of Dr Smith, that the price of corn regulates the wages of labour. The reverse of the proposition will rather be found to be nearer the truth; namely, that the rate of wages, as it is high or low, tends to raise or to depress the price of corn; and to the low wages and poverty of the working-classes, may be partly ascribed the extremely low prices of corn in 1822, and at other times also within the last twenty years. An account of the average price of wheat, in this

[1] See Chapter on Exchangeable Value.

country, for periods of ten years, from 1751 to 1840, is subjoined ;—

Average price of grain for ten years ; quarter of eight Winchester bushels :—

From 1751 to 1760, inclusive,	£1	17	8
1761 „ 1770,	2	3	6
Average price per Receiver of corn :—			
1771 to 1780,[1]	2	4	5
1781 „ 1790,	2	7	6
1791 „ 1800,	3	1	7½
1801 „ 1810,[2]	3	15	2
1811 „ 1820,[2]	3	12	0
1821 „ 1830,[3]	2	17	4
1831 „ 1840,	2	15	3

The preceding account of prices exhibits a gradual rise, from about the year 1760 to 1780 ; a still greater increase from 1790 to 1820 ; and a decline for the next twenty years to 1840, which may be partly ascribed to more favourable seasons. The progressive rise in the price of corn, may also be ascertained from a comparison of the lowest prices of cheap and abundant years, with the prices of scarcity in former times. Thus, in 1740, a year of scarcity, the price was 45s. 1d. for the Winchester quarter of eight

[1] This is the price as given by the Receiver of corn returns, and is lower than the price of the quarter of eight Winchester bushels, as it is the average price of different descriptions of grain. An addition of 5s. per quarter would be required to equalize the prices after 1770, with those before.

[2] The price in these years, when the currency was depreciated, is estimated in bullion, an allowance being made for the depreciation.

[3] From 1820, when the imperial quarter was used, a deduction is made equal to the difference between it and the former quarter.

bushels; and the price in 1822, a year of extraordinary cheapness, was, for the imperial quarter, 44s. 7d.:[1] the price of scarcity in the former being the price of extraordinary plenty in the latter year; which marks the great increase that had, in the meantime, taken place in the value of corn; the true cause of which is to be found in the great flood of prosperity which set in upon the country after the peace of 1763, and has ever since continued, though with severe intervals of depression and distress, more especially towards the conclusion of the war with France, as also in later times. The price of corn has accordingly risen above the level of the European market. It is generally about 40 per cent. above the price in Dantzic and other shipping ports on the Continent, and often 50 per cent. higher than in France; and this high price, the consequence of the great progress of manufactures and of population, has entirely changed the course of trade: having for the last seventy years drawn large supplies of corn from other countries. This will appear from the following account of the average export, and subsequent import of grain for periods of ten years, from 1700 to 1720, and the annual amount of importations since that period:—

Average import of grain from 1700 to 1820, for periods of ten years.

Years.	Total.	Excess of Exports.
1700 to 1709 inclusive,.........	3094......	2,804,641
1710 „ 1719..................	1667......	3,647,113
1720 „ 1729....................	640,114......	1,691,340

[1] The difference between the imperial quarter, and the quarter of eight Winchester bushels, is not material, and is, perhaps, more than compensated by the superior quality of the grain in the Winchester quarter.

Year.		Total.	Excess of Exports.
1730 to 1739	....	133,934......	5,200,312
1740 1749	....	126,934......	6,730,723
1750 „ 1759	....	298,793......	6,588,844
1760 1769	....	1,517,318......	3,360,158
			Excess of Imports.
1770 „ 1779	....	4,721,157.. ...	2,586,310
1780 „ 1789	....	5,044,661.. ...	1,822,738
1790 1799	....	12,677,528.. ...	11,378,900
1800 „ 1809	....	13,534,126.. ...	12,453,344
1810 „ 1819	....	17,000,234.. ...	17,044,525[1]

Annual amount of the wheat imported till the year 1828, when a new act was passed:—

Years.	Qrs.	Years.	Qrs.
1821..................	9	1825..................	525,231
1822..................	2	1826..................	315,892
1823..................	13,137	1827..................	572,705
1824..................	15,778	1828..................	841,828

The following is an account of the quantity of grain of all sorts imported under the Act of 1828, 9 Geo. IV.:—

Years.	Qrs.	Years.	Qrs.
1829..............	2,025,156	1836..............	320,305
1830..............	2,753,262	1837..............	904,584
1831..............	2,508,700	1838..............	2,522,223
1832..............	481,619	1839..............	4,615,262
1833..............	112,465	1840..............	3,829,120
1834..............	233,555	1841..............	3,365,061
1835..............	470,147	1842 to 29th April	27,640

When Great Britain, in place of exporting corn as formerly, began to require a supply of foreign corn for the support of her increasing inhabitants, it was deemed necessary to alter the system of duties which regulated the trade. An act was accordingly passed in 1773, by which the bounty of 5s. on the exportation

[1] See Tooke's High and Low Prices, Appendix, p. 32.



of wheat, which was continued till the price reached 48s., now ceased at 44s., when exportation was prohibited; and the duty on importation, which by the act of Charles II. was 16s. on wheat, till the price rose to 58s. 4d., and 8s. till it rose to 80s., was now reduced to 6d., at or above 48s. This act, which mitigated the restrictive policy hitherto adopted, by reducing the duties, and limiting their operation, both on the exportation and importation of corn, forms a remarkable exception to the whole course of British legislation on this subject; and is understood to have been suggested by Mr Burke, and other distinguished statesmen of that day. It was continued, without any material alteration, till the year 1791, when a new act was passed, which increased the facilities of exportation and the restraints on importation. The former, which was prohibited at 44s., was now permitted at 46s.; and importation, which was formerly permitted when the price was 48s., at the low duty of 6d., was now prohibited until the price rose to 50s, when a duty of 2s. 6d. was payable until the price rose to 55s., with the low duty of 6d. In 1804, these restrictions were still farther increased. The prohibitory duty on importation was continued till the price reached 63s., after which the duty was lowered to 6d. No other alteration of any importance took place until the act of 1815, which will be afterwards fully considered.

From the year 1804, the price of grain continued unusually high; the average for the next nine years being £4, 14s. per quarter; or, making allowance for the depreciation of the currency, £4. A great

rise took place, in consequence, in the profits of farming and in the rent of land; and in all quarters tillage was rapidly extended. The decline of prices about the year 1813, renewed the alarm of the landlords and farmers. Many of the latter, having engaged for larger rents than they could afford to pay, claimed the protection of higher duties. Parliamentary committees were appointed in 1813 and 1814, to inquire into the causes of the depressed state of agriculture; and, after examining numerous witnesses, they recommended a great increase in the import duties: 70s. or 80s. per quarter being the lowest price at which they deemed it safe to admit foreign corn. In 1815 an act was accordingly passed, which raised the importation price of wheat to 80s.; of rye, peas, and beans, to 53s.; of barley, to 40s.; of oats, to 26s.; and of wheat from the British colonies in America, to 67s.

This law, which was intended to give to the grower of corn the entire monopoly of the market, was superseded, in 1828, by a new act, which imposed prohibitory duties of 24s. when the price was at 63s., and of 10s. when it was at 70s. a quarter; after which the following rates were established on wheat:—at 71s., and under 72s., 6s. 8d.; at 72s., and under 73s., 2s. 8d.; above 73s., 1s. On barley, the duty on importation was 12s. when the price was 33s.,—to decrease 1s. for every shilling of rise above that price: so that the duty of 1s. would commence at 41s.; on oats, the 1s. duty was to commence at 31s.; on rye, peas, and beans, at 46s. On colonial grain, a duty of 5s. was imposed

on wheat until the price rose to 67s.; above, a duty of 6d.; on barley, oats, and rye, corresponding duties were imposed.

This act continued in force till the year 1842, when those heavy duties on the importation of grain began to excite general discontent among the mercantile classes; who were further inflamed by the statements, widely circulated, in which the depression of trade and the unparalleled distress of the working classes, were traced, without, however, any scrupulous accuracy of argument, entirely to the operation of the corn laws. A general conviction was at the same time spreading, of the impolicy of all restraints on the importation, whether of the produce of land or of labour; and the popular voice thus weighing in the scale against the ascendancy of the landed interest, impressed on the legislature the policy of concession, and of somewhat lowering, at least, the almost insuperable barrier that had been raised up against the influx of foreign grain.

The law of 1842, accordingly, brought forward by Sir Robert Peel, on his accession to office, imposed prohibitory duties on importation, declining from 19s., when the price was at 51s., to 10s. when it rose to 63s.; after which the following rates were imposed:—

At 64s., 65s., and 66s., a duty of 8s., 7s., and 6s., which latter continued to 69s. Duties were imposed

Above	69s.	of	5s.	Above	72s.	of	2s.
,,	70s.	,,	4s.	,,	73s.	,,	1s.
,,	71s.	,,	3s.	,,	74s.	,,	no duty.

A lower scale was applied to the inferior grains,—

the duty of 1s., to commence when oats, barley, and peas and beans, rose to the respective prices of 27s., 37s., and 42s.

Such is a brief summary of the laws by which Great Britain has, for the last 150 years, regulated the foreign trade in corn. With the single exception of the act of 1773, the object has been, to encourage agriculture by a rise of price; for which purpose, bounties have been granted to encourage the exportation of the home supply, or the foreign supply has been excluded by protecting duties. And two distinct questions here arise for consideration: the first in reference to the principle of these laws, namely, how far it is consistent with sound policy to encourage agriculture by an artificial rise of price? secondly, as all the commercial depression and misery, and even the pecuniary embarrassments of the country, have been ascribed, by the opponents of the corn law, to its sole operation; and as this controversy has been the source of violent dissension between the mercantile and agricultural classes, it will be proper calmly to inquire, without vindicating the principle of those restrictions, how far they can be considered as the cause of all this complicated distress; what, in short, is their practical effect; to what extent have they raised the price of grain, by the limitation of the supply; and how far have they thus fulfilled the intention of their authors?

In this country, the produce, whether of land or of labour, has been always favoured by protecting duties: and, however these may be considered by many as contrary to sound policy, yet, if they be

extended to one branch of industry, they cannot be fairly withheld from another. The question, however, now to be considered, is, not whether trade or agriculture have been chiefly favoured in this country; but whether these restraints are in either case politic or just.

I. The nature of protecting duties has already been fully considered. It is evident that, whether laid on the produce of land, or on the produce of industry, they impose a tax on the many for the benefit of the few. The price of the protected commodities is artificially raised for the profit of the dealers, at the expense of all others. This is the effect of the laws which formerly excluded from this country foreign goods by heavy duties, as well as foreign cattle, or fresh or salted meat; and which still check, to a certain extent, the importation of corn. They tend to raise the price of those articles to the British consumer. They lay under contribution the consumers of manufactures or provisions, for the profit of those who sell those articles, and who gain by the high price what the others lose. This is the obvious tendency of the law for regulating the importation of corn: its intended object, as its certain effect, is to raise the price, and consequently the rent of land, though not by any means to the extent that is generally supposed; and accordingly no other intelligible reason has ever been assigned for the measure: for though no subject has been more thoroughly canvassed, no fact or argument, in all that has been said or written on the subject, has ever been brought forward to prove that it is for the interest of

the community at large to raise artificially the price of corn. No rational explanation has ever been given why the price of this, as of all other commodities, should not be allowed to find its level in the market. Fears, indeed, have been expressed, bold predictions have been hazarded, that the free admission of the foreign supply would ruin the agriculture of this country, and that corn lands would be thrown out of cultivation: as if the demand for human food could ever cease; as if the continued and pressing necessities of an increasing population were not a sufficient stimulus to agriculture, and the surest of all guarantees for the progressive cultivation of the soil. The lands that produce sugar, coffee, and other luxuries, that may be dispensed with, are not thrown out of cultivation; though those articles are allowed to find their level, with the exception of this country, in the general market of the world. There is no law for artificially raising their price in order to ensure their cultivation. How chimerical, therefore, the alarm that the demand, the effectual demand, for human food, the staff of life, should fall off in place of increasing, in a commercial society, too, rapidly advancing in wealth and population; and that, without an artificial rise of price, the land should ever cease to produce corn! Of all articles, corn stands the least in need of any protecting duty: its price, from the great demand, being already so high, as not only to repay the profits of the stock and the wages of the labour employed in its cultivation, but to afford a large surplus to the landlord under the name of rent. This surplus, which remains after paying the

expenses of cultivation, is the great encouragement to agriculture: it is the bounty held out by nature on extended cultivation; and this surplus, namely, the rent, and, of course, the value of land, has within the last forty or fifty years increased four-fold in this country. Lands which have been bought towards the end of the last century, between 1780 and 1790, for £20,000 or £30,000, have been resold in the present day for above £100,000. Examples of this prodigious increase in the value of land are to be found in all parts of the country; and it has been brought about by two causes—1st, By the great rise which has taken place in the price of grain, with the progress of manufactures and the increase of wealth; and, 2d, By the greater quantity that has been obtained from the land by improved cultivation. The use of tile-draining in the moist climate of Britain; the new manures, such as lime, bone-dust, guano, and chemical substances, which science has employed to fertilize the soil, have so greatly added to its produce, that, as already stated, its value has increased four-fold. Now, the great incentive to cultivate the land is the value of this produce: the greater its value, the greater, of course, will be the inducement to obtain it. It is on this principle that protecting duties are imposed: they are intended to encourage agriculture by limiting the supply of grain, and raising its price; thus increasing the value of the surplus which remains to the landlord. Yet how insignificant is their effect when compared with those other more powerful causes, which, being interwoven with the frame of society, are constantly at work to pro-

duce the same end, namely, to augment the landlord's rent; and which, by increasing, not merely in price but in quantity, the produce of the land, have already raised it in Britain to four times its former value. It is this improved value of the surplus produce which is brought about by the progress of manufactures, and by other causes, over which legislators have no control, that has extended cultivation over the whole country, and everywhere converted unproductive land into corn fields. It is the only fair or effectual encouragement that agriculture can receive, or that is worth receiving; the only true basis of its prosperity; compared with which, all the boasted expedients of human skill, which by means of an unpopular tax endeavour to regulate the price of corn, are feeble and inefficient.

II. With regard to the practical effect of those laws, it is even of more importance than the principle, which is of little moment, provided it remain, as it has often done, a dead letter in the statute book: for there is no doubt that, for a period of about forty years, from 1773 to 1815, those laws for regulating the importation of corn were inefficient, and really imposed no restraint on importation; the market price of corn being almost always above the price at which the duty was payable. 48s., 54s., and 66s., were about the several prices at which, according to the acts successively passed in 1773, 1791, and 1804, the high duties were payable on the importation of wheat, and at comparatively lower prices on other grains; and the market price being all the

while above this price, the law was inoperative: and, accordingly, with one or two short intervals, importation was free from about the year 1773 to 1815. The act of 1815, which raised the price at which importation was permitted to 80s., had the effect, except in rare instances of high price, of excluding the foreign supply. The rigour of this law was mitigated by the act of 1828, which admitted of importation when the price reached 70s., at 6s. 8d., and at lower duties as it rose higher; and during its operation, the ports were frequently opened to foreign grain. From the 5th July, 1828, when the act was passed, to the 5th January, 1839, the whole quantity of grain imported, exceeded 12,000,000 of quarters. The measure of Sir R. Peel, in 1842, was a farther step in the same course: it lowered the barrier that opposed the influx of foreign grain. It appears, from Parliamentary accounts, that no great quantity of corn was ever brought into the country at a much higher import duty than 10s. per quarter, which may, therefore, be considered as the limit of importation; and, in this case, 80s., 71s., and 64s., may be stated as the respective prices at which the several acts of 1815, 1828, and 1842, permitted the importation of wheat; and the other grains at a comparatively lower scale. These prices afford a simple test of the comparative effects of those different measures, of which the last is certainly the most favourable to the consumer. The price of 64s., when wheat may be imported at a duty of 8s., is not unusually high; and at higher prices the duty decreases; so that, unless in

cheap years, the law of 1842 is fully as favourable to importation as a fixed duty, which was proposed, would have been, of 8s. a quarter. The advantage of a fixed duty is stated to be the greater certainty which it gives to the speculations of the merchant, who, in sending his corn to the British market, can no longer be met by an increase of duty, in addition to a falling price. But no duty can be fixed, unless it be of small amount. The duty of 8s. a quarter is too high to be maintained with a deficient produce and a high price. So serious an obstruction could not be thrown in the way of importation; and the duty would require either to be altogether remitted, or reduced with a rise of price, so that it would still be a varying duty, which, though no doubt an inconvenience, is the least of two evils; the greater being certainly an oppressive duty on the food of the people, along with a high price. But between these extremes of a fixed duty, and one constantly varying, as at present, a middle course might probably be adopted with advantage. If we suppose only three gradations of duty: 1st, a prohibitory duty; 2d, a duty which would permit importation; and 3d, a nominal duty, or no duty; the evil of a fixed duty, with a constantly varying price, would be avoided, as well as the complicated scale of duties which encumber the present scheme. A fixed duty could hardly be adopted of more than 4s. a quarter, otherwise it must be regularly abated with a rise of price. And if some such moderate duty be not proposed, the only other alternative seems to be, a free trade in corn; which would at once terminate this really not

important controversy, however keenly debated by political parties, between a fixed duty and a sliding-scale.

Numerous other evils are, however, stated to arise from a varying duty. The sudden influx of corn which takes place when it falls to 1s., occasions, it is said, an over-supply in the market, and a ruinous fall of prices. Yet the whole annual stock of grain at home is produced at once; and, at the time of harvest, added to the existing supply, diminished by nearly a year's consumption. But the price is not depressed by this sudden addition to the supply. It is not lower after the harvest, when the country is full of grain, than when the supply is nearly exhausted; and the reason is, that though the whole supply of the year be on hand, it is slowly and gradually dispensed to the consumers as it is wanted; and the corn taken out of bond, and added to the general supply, being served out according to the same rule, can have no more effect on the price, because of its being at once added to the supply, than the annual produce, which is added at once to the remaining stock of the previous year. The price will no more be affected by a million of quarters added to the stock of grain from the bonded warehouse, than if they had originally made part of the yearly produce. But the influx of the foreign supplies does not appear so sudden as has been stated. In the several years 1829, 1830, and 1831, wheat was imported to the amount of 1,364,340, 1,702,437, and 1,494,266 quarters; the greater proportion of which appears to have been taken out of bond, not

at once, but in the course of the year, as will be seen from the subjoined account.[1] It is only in 1830, that the quantity entered for home consumption, in any one month, amounted to above one million of quarters. In the four years, from 1838 to 1841, the high prices occasioned large importations; and in some years, certainly, almost the whole supply was imported at once; as in 1838, when, out of 1,822,991 quarters, the importation during the year, 1,514,647 quarters were entered for consumption in September. In 1839, however, the greatest quantity entered for home consumption, in any one month, was 775,617 quarters in October, out of 2,702,848 entered during the other eleven months; in 1840, 1,035,546 quarters were entered in October, out of 2,329,991; and in 1841 and 1842, no greater pro-

[1] Quantities of wheat and wheat-flour entered for home consumption.

Return to House of Commons, 6th March, 1839:—

	1829.	1830.	1831.
January, ..	332,800.........	1,711.........	36,141
February, ..	141,730.........	400.........	3,684
March, ...	133,354.........	263.........	487,151
April, ...	12,580.........	7,768.........	316,773
May, ...	25,260.........	245,121.........	450,167
June, ...	81,478.........	24,689.........	106,602
July, ...	476,261.........	29,339.........	32,330
August, ...	25,391.........	364,077.........	13,906
September, .	179,408.........	1,042,340.........	12,627
October, ...	32,311.........	8,291.........	19,769
November, .	733.........	3,223.........	11,520
December, ..	1,389.........	619.........	9,209
	1,442,695.........	1,727,841.........	1,505,879

portion of the yearly supply was taken out of bond in any single month; nor does it appear that the price was materially affected by those additions to the home produce.

The mercantile classes, the consumers of corn, have always protested against the laws in this country for the protection of agriculture; and their representations have, of late years, been powerfully enforced by the depressed condition of trade. The commercial shock which the country experienced about the year 1836, was followed by an entire prostration of industry, in all its branches—from which it is only now (1844) slowly reviving—by a want of employment, and by distress and misery among the working-classes, to an extent hitherto unknown. Those calamities being ascribed by many to the sole operation of the corn laws, a violent excitement was produced; and especially among the working-classes, which was the source of those lawless combinations, by which the country was distracted towards the close of 1842, and of which the professed object was to extort, by violence, a fair reward for labour, at that time but poorly paid. Those disorders, no doubt, had their origin in real distress and poverty; but they were also farther inflamed by the fallacious hope held out, from a free trade in corn, of flourishing commerce and of cheap bread.

The two opposing parties, in this controversy, appear to have both fallen into the same error, of overrating the importance of the foreign supply; to the want of which, on the one hand, is ascribed the

stagnation of trade, and the general distress of the people; and from its free importation, on the other hand, the landlords dread a fall of prices to the level of the Continental markets, a reduction of rents, and the decline of cultivation: and hence the tenacity with which they hold their now impaired monopoly, amid the murmurs of the people.

In opposition to those theories, hastily assumed by both parties, the whole history of the corn trade proves the little importance of the foreign, compared with the home supply, and its trifling influence on the price; and that it is to the unequal produce at home, from variable seasons, that all the fluctuations in the price of corn, and in the state of agriculture, may be clearly traced. A country such as Holland, of great commercial wealth, and of limited extent, may, no doubt, depend on foreign supplies for its subsistence. But Great Britain, with her numerous population, her improved agriculture, and her extended commerce, the latter keeping pace with, and aiding the former, must depend, for subsistence, almost wholly on her own soil. The foreign supply, whether admitted or excluded, can be but a small make-weight in the scale of price; and in all cases, where its fluctuations are to any extent, they can be clearly traced to the home, and not to the foreign supply. This conclusion appears to be borne out by the following, among many other important facts.

It has been already stated that, from about the year 1773 to 1815, the laws for regulating the importation of corn were inefficient in practice, and that importation was really free. During all this

period, however, and more especially from the year 1790, when the foreign supply, the want of which is supposed so greatly to raise the price, and to produce so many other evils; and its free admission, on the other hand, to occasion a fall of prices ruinous to agriculture; when this supply was freely flowing into the country, grain continued to rise until it reached an unusually high price, as will appear from the account of prices which is subjoined.[1]

[1] Account of the price of grain, from the year 1792 to 1821; with the average price for periods of five years:—

Year.	Price.	Average of five years.
1792	42s. 11d.	
1793	48s. 11d.	
1794	51s. 8d.	
1795	74s. 2d.	
1796	77s. 2d.	58s. 11d.
1797	53s. 1d.	
1798	50s. 3d.	
1799	67s. 6d.	
1800	113s. 7d.	
1801	118s. 3d.	80s. 6d.
1802	67s. 5d.	
1803	56s. 6d.	
1804	60s. 1d.	
1805	87s. 10d.	
1806	79s. 0d.	70s. 2d.
1807	73s. 3d.	
1808	79s. 0d.	
1809	95s. 0d.	
	In Bullion.	
1810	93s. 0d.	
1811	87s. 0d.	85s. 5d.

In 1819, and the following years, the foreign supply began to fall off, and finally ceased. In that year, the amount of wheat that was entered for home consumption was 1,606,280 quarters; in 1820, 124,858 quarters; in 1821, 34,275 quarters; and in the four following years, the whole foreign supply only amounted to 28,891 quarters. Yet during this period, when scarcely any foreign corn was imported, the price continued to fall, till in 1822, it was lower than it had been for thirty years before. According, however, to the commonly-received notion of the importance of this foreign supply, its free influx into the country should have been the era of low prices, and its exclusion one of high prices. The fact appears to have been precisely the

Year.	Price.	Average of five years.
1812	104s. 0d.	
1813	87s. 0d.	
1814	53s. 0d.	
1815	54s. 0d.	
1816	62s. 0d.	72s. 0d.
1817	91s. 0d.	
1818	81s. 0d.	
1819	69s. 0d.	
1820	62s. 0d.	
1821	54s. 5d.[1]	71s. 4d.
1822	43s. 6d.	
1823	51s. 0d.	
1824	62s. 0d.	
1825	66s. 6d.	
1826	57s. 0d.	55s. 9d.

[1] Bank notes at par.

reverse. Prices were generally high when importation was free, and agriculture prosperous; and they fell unusually low after the ports were closed, in 1819 and 1820, against the foreign supply, and agriculture was depressed. The whole history of the corn trade is indeed one continued illustration of the insignificance of the foreign supply, compared with the supply at home; the abundance or scarcity of which it is that produces those extremes of price which derange the business of agriculture, and all speculations in land. It is well known that the produce of the years 1799 and 1800 was remarkably deficient,—the crops being injured in the first by incessant rains, and in the latter by drought and other causes. The prices rose, in consequence, to 118s. and 120s. a quarter. In aid of this alarming deficiency, supplies were sought from every country in Europe; importation was not only permitted, but was encouraged by a bounty; for which the sum paid in the two years amounted to £2,135,678, and foreign corn was imported to the amount of 4,545,276 quarters. By the united effect of enormous prices and large bounties, supplies of grain were drawn from the most distant parts of Europe, without any relief of the scarcity, or any decline of the high price, which continued at 120s. a quarter, even after the harvest was begun in 1801. The real value of the foreign supply was thus brought to the test; it was brought into the country without restraint, and it had no perceptible effect on the price. But no sooner was the abundant supply of 1801 poured into the deficient market, than the void was filled up;

the scarcity was succeeded by plenty; and the price, which was in August 110s. and 120s. a quarter, fell suddenly in September to 70s., and in October to 60s. Can we possibly desire a more clear illustration and contrast of the effect of the foreign and the home supply. They both come in, the one after the other, in aid of a deficient supply; and a better experiment could not be desired for the illustration of science; and what is the result? The scanty addition of the foreign supply does not even palliate the existing deficiency; it does nothing to fill up the void left in the home produce; while the home supply, flooding the deficient markets, changes scarcity into plenty, and causes the prices to tumble down at once from their extravagant level, to the moderate rate of 60s. a quarter. It is to the variable produce at home, therefore, and not to the effect of any foreign supply, that all these fluctuations which occur in the price of grain, from year to year, must be traced, and which no legislation can either prevent or control.

The state of agriculture for the last 60 or 70 years, its gradual improvement in this country, and the vicissitudes which it has experienced, appear to have been in no degree connected with the laws for regulating the importation of corn. From about the year 1770, to 1815, its prosperity was scarcely ever interrupted; prices were continually on the increase; and land purchased or taken on lease, however extravagant the terms were considered at the time, was sure in the end to yield a large return. The consequence was, that the occupation or possession of this property was sought after almost at any price; and

the rent of every farm offered on lease was raised by the competition of rival bidders far beyond its real value. This progressive prosperity of agriculture was the consequence of the continued though gradual rise of prices, which took place towards the end of the last century; of the rise of price beyond all former example in 1799 and 1800; and of the equally high prices which continued for ten successive years, from 1804 to 1814. Now, during this period, importation was free, with the exception of several years of the French war, when it was partially obstructed, though not wholly stopped, considerable quantities being still imported under the authority of licenses for carrying on the trade; and in 1817 and 1818, the foreign supply, owing to the high price, was freely admitted, notwithstanding the heavy import duty, and was greater during the latter than on any former year. The sudden and unexpected decline of prices in 1814 and 1815, had produced serious embarrassments, both among tenants and landlords, and renewed their fears for the decline of agriculture. These were again quelled by the high prices of 1817 and 1818; when the farther decline of prices which occurred about April 1819, and continued during the four following years, though the foreign supply was at the time excluded and the home grower had the monopoly of the market, completed the depression of agriculture. The high rents that had been contracted for could no longer be paid, and many industrious farmers were ruined. A general fall of rents was the consequence; and on this footing the business of farming has been since prosecuted with all its

former activity, and cultivation extended over large tracts of waste land.

From this brief sketch of the progress of agriculture in Britain, for the last fifty or sixty years, its prosperity during the first, and its depression during the latter period, appears to have been the effect of fluctuating prices, from variable seasons; and would have equally taken place, though no restraint had been laid on the importation of corn. "The whole course of experience, indeed, appears to run most perversely counter to those theories, which ascribe either the prosperity or the subsequent depression of agriculture to the operation of the corn laws; for, when the foreign supply was freely admitted into the country, and when agriculture, according to the hypothesis, should have been ruined, or greatly depressed, it prospered more than at any former period; and when the foreign supply was excluded, as it was in 1819, and for several years after,—and when the home-growers had the monopoly of the market, and should have prospered accordingly, they were involved in greater distress than ever they had before experienced. Every view of the subject, indeed, points out the inefficacy of the petty devices of legislation, even for their own limited ends. The foreign supply is a poor instrument to work with; it bears so small a proportion to the home supply, that whether we have it or want it, appears not to be of the consequence supposed. It can neither counteract, nor can it much assist, those great natural causes which carry forward of themselves all the necessary arrangements of society, in a manner so

orderly and magnificent. The price of corn, on which depends the subsistence of man, is placed, by a wise and beneficent providence, beyond the control of legislation. It is fixed by the state of the home supply, which no human power can materially change, and by causes connected with the internal condition of the country; and the petty attempts which are made to regulate it by means feeble and inadequate, appear to be in the highest degree presumptuous and vain. It is as if we were attempting to control, by our artificial contrivances, the great machinery of the natural world; to aid the force of the wind with a pair of bellows, or to drain the ocean by means of a steam-engine. There is certainly no denying the power of these agencies, the last of which is the great triumph of science and of art; but how insignificant do they appear beside the stupendous energies of nature!

From the preceding facts, therefore, it seems to follow, that the commercial distress and misery which this country has suffered since the year 1836, cannot justly be placed to the account of the corn laws, however justly objected to on principle; nor, consequently, would their total repeal give relief to the trade of the country, or employment and bread to its famished labourers. Foreign corn has never at any time been excluded from Great Britain. Even under the act of 1815, which imposed the greatest restraint, a large supply found its way into the country in 1818; the subsequent acts of 1828 and 1842, admitted the foreign supply on still easier terms; and the question is, to how much greater an amount would importation take

place under a free trade. From the year 1790 to 1804, when there was practically no restraint on importation, and little or no interruption to the intercourse with Europe, the greatest quantity of grain imported was 2,135,597 quarters in 1800–1, and in 1801–2, 2,405,544 quarters, when the price of wheat was raised, by the scarcity, to 120s. per quarter. In 1818, when the law of 1815 was in force, 3,522,729 quarters were imported; the ports being opened by the high price, which was between 80s. and 90s. The quantity imported under the law of 1828, amounted from 15th July, 1828, to the 5th January, 1841, a period of 12½ years, to above 13,000,000 quarters, including the meal and flour imported; and during the years 1838, 1839, and 1840, to 10,276,901 quarters, including also the flour imported, or to above 3,000,000 quarters in each year; and, besides that a regular and increasing supply is now brought from Ireland, amounting to about 3,000,000 quarters yearly, all restraints on the import of grain from that country having been withdrawn in 1806, the present law gives considerably greater facilities to importation; and if we estimate that this will add 500,000 quarters to the yearly supply at home, it will be seen that, except in cheap and abundant years, Great Britain must constantly, under the existing law, import large supplies of grain from other countries. There is between the present system, therefore, and a free trade, no very wide interval. Its practical effect is to prevent the importation of corn when the price is under 63s., *i. e.* when its price is reasonable, and when the foreign

supply is less needed; and when, probably, the importation would be limited by the price, though the trade were free. It is not likely, therefore, that by the total repeal of this law we should add above one or two millions of quarters to what we already import. This addition to the supply would no doubt affect the price; but to what amount cannot be accurately ascertained. We cannot estimate the precise effect of any given addition to the supply on the price. This is a problem in political economy which we have no data to solve. There is no common measure between the increase or decrease of quantity, and the rise and fall of price; and hence we cannot calculate with precision the actual effect of the corn laws on the price of grain; we cannot tell to what amount the addition of a tenth or a twentieth to the stock of grain, or a deficiency to the same amount, will either raise or reduce the price. But, from the facts already stated, the effect of the foreign supply on the price at home appears to be hardly perceptible, amid other more powerful causes; and we should probably, therefore, not underrate its influence, in estimating the reduction that it would effect in the price at from 2s. to 3s. a quarter, or nearly about a farthing on the price of the quartern loaf. At the same time, the steady demand of Britain for foreign corn must no doubt direct a greater quantity of European capital to the improvement of land; and might, in time, bring a larger supply into this country. The amount of grain that, with a free trade, might be obtained annually from Europe, is estimated by Mr Meek, the envoy of the British

government, in 1841, to the grain countries in the north, at 4,000,000 quarters. The progressive improvement of agriculture in Europe might, no doubt, in time, yield such a surplus. But it would be a slow process; and the trade and population of Britain advancing in the meantime, the whole might be readily absorbed in the increasing demand, without any injury to agriculture from reduced prices. The importation of grain from Ireland into this country, which began in 1806, has increased to nearly 3,000,000 quarters yearly, and has not been injurious to British agriculture; and the reason is in this, as in all other cases, that an increase of inhabitants surely follows an increased supply of corn, whose greater demand counterbalances the tendency of this increased supply to reduce the price. Corn differs from all other commodities in this, that it thus creates consumers for itself; and the demand still keeping pace with the supply, the price, though it may fluctuate from year to year, cannot fall permanently below its general level. The principles which regulate the price of corn are considered at length in the chapter on Exchangeable Value; and, according to the views there stated, there can be no great danger that the foreign supply, increasing in this country as it will do slowly, will ever so far depress the price as to discourage the cultivation of the British soil. It is not those changes for which time prepares the way slowly and gradually, but violent and artificial revolutions, that disturb the relations of commerce and the even tenor of human affairs.

But if the consumers of corn are deluded with false hopes of reviving commerce, and of cheap bread, from the repeal of the corn laws, equally vain are the fears of the landholders that the country would overflow with foreign corn, and that the price would be reduced to the level of the European market, or about 50 or 60 per cent., and that agriculture would, in consequence, be neglected. There is no doubt, while the price of corn is so much higher in Great Britain than on the Continent, that the foreign supply, if more freely admitted, would flow into this country until the equilibrium of price were restored. If, for example, corn could be brought into Leith or London from Dantzic, Liebau, Riga, Rostock, Odessa, &c., for 30s. per quarter, after paying all charges, and if the price in this country were 54s., we may be assured that such a sure and profitable trade would not be neglected; and that corn would be sent into the markets of Britain, until, by the fall of prices in the importing country, and their rise in the other, they were brought near one common level. But at what intervening point they would meet—whether the common level would be attained chiefly by the rise of price in the exporting country as the supply was diminished, or by its fall in the importing country as it was increased, would entirely depend on the relative supply which they respectively possessed. If they were in exactly the same circumstances, and had the same supply, and if in the one country corn was at 50s. a quarter, and could be imported for 30s., the price would fall in the importing country exactly as it rose in the other, and would attain its

level at the medium price of 40s. But if the supplies of the importing country were drawn from a much smaller store of grain than it possessed at home—if 1,000,000 quarters of grain only added one fiftieth part to its stock, while it diminished the annual supply of the exporting country by one tenth, it is clear that the fall of prices in the one country would not correspond to the rise in the other; and the common level, in place of 40s., might be 45s., or even 48s. If we suppose two reservoirs of water, of equal superficial capacity, in which the fluid is standing at two different levels of 54 and 30, and a communication suddenly opened between them, we know that they will both stand at the common level of 42 feet; but if we suppose the one at the higher level to be triple the superficial capacity of the other, every foot which it is brought down will produce a corresponding rise of three feet in the other; and hence the fluid will rest permanently at the higher level of 48, being raised in the smaller reservoir 18 feet, and depressed only 6 feet in the larger. This is the law of the material world; but not one whit more certain in its operation than the great laws which we have been expounding, by which human society is compacted and held together, and which it is the object of political economy to explain and enforce, with a view to the great principles of legislation and government.

Great Britain, excelling in arts, in commerce, and manufactures, is also a great agricultural country. An immense capital has been applied to the cultiva-

tion of the soil, which, aided by skill, industry, and enterprise, has improved to the utmost the productive capacity of the land; and hence, no country, in proportion to its extent, yields so large an annual produce of grain. It has been estimated, though of course on rather uncertain data, that its average produce of all sorts amounts to 48,000,000 or 50,000,000 quarters. This is a very large supply of grain, and must very greatly exceed the stock of grain in the Continental countries from which we draw our supplies. The principal ports of Europe which export grain are Hamburg, Rostock, Dantzic, Liebau, Riga, and Odessa on the Black Sea. The first five towns draw their supplies from the countries which lie contiguous to the Baltic, or the rivers which flow into that sea; namely, the Elbe, the Oder, the Vistula, the Memel, the Duna, &c.; the more distant provinces of the interior, which are far from the seacoast, or from any navigable river, being prevented from sending their produce to a foreign market by the badness of the roads and the expense of carriage. Hence, it is only a comparatively limited tract of country that furnishes the foreign supplies; nor is it on account of its great wealth and flourishing agriculture, that it has a surplus to send abroad to other nations. It is rather from its poverty, from the want of capital and manufactures, owing to which those who are not engaged in agriculture have no equivalent with which they can purchase its products: and hence, though agriculture is in a very backward state, the landlord cannot find a market at home for his scanty produce; which is cheap, not so much from the

abundance of the supply as from the want of demand; and which, therefore, naturally resorts to the market of a richer country, on which, however, from its small quantity, it makes but a very slight impression. There is no doubt, that if the present restraints on importation were withdrawn, supplies of grain would come into the country from the ports on the Baltic; and that they would be continued so long as the respective prices here and on the Continent left the merchant-importer a profit on the transaction. At Dantzic, Kouingsberg, Liebau, &c., wheat is generally much lower than in this country; and after paying all charges, amounting to about 12s. a quarter, it could often be brought into London for 30s. per quarter, and sold for 35s. with a profit. It is this fact which so alarms the landholders and tenants with the idea of an inundation of cheap corn, and with the ruinous depression of prices to the same rate as on the Continent; and it is the same delusion which inflames the consumers of corn against the present corn laws, which they imagine raises prodigiously the price of corn in this country, and thus entails on them the burden of a heavy tax, in order to increase the landlord's rents. Neither of the parties seem to be aware, that the moment the heavy demand of the British market was brought to bear on the European supply, the price would rapidly rise; and that the quantity withdrawn from the more limited stock of the Continental market, would have the effect of raising the price in a much greater proportion than its addition would depress the price in Great Britain. When we consider the situation of

the two countries, the one overflowing with capital, with a vast commerce and a flourishing agriculture; the other with comparatively little commerce, without manufactures, and its agriculture in a rude and backward state, it would be no strained inference to suppose, that, for every shilling the price fell in Great Britain, it would rise in the Continental markets at least 7s. or 10s. With the exception of the year 1818, we never were able, even when there was no restraining duty on the importation of corn, to draw, any one year, a larger supply from the Continent, or from any other quarter, than 2,600,000, or 2,700,000 quarters; which, compared with the annual produce at home, is quite insignificant, and which, accordingly, had never any perceptible effect, as we have already stated, on the markets in this country; though it was sufficient, by raising prices on the Continent, to bring them to a balance with those in Britain. The present difference of prices between Great Britain and Europe, allowing for the import charges, may be estimated at 24s. per quarter; and this difference would no doubt be brought to an equality by a free trade.

But the proportion in which prices would fall in Britain and on the Continent would be extremely different; and, considering the great inequality in the respective stores of grain between which the free communication would take place, it is certain that the balance would be adjusted more by a rise of price on the Continent, than by a fall in Britain; and this affords a sure guarantee to agriculture against any undue fall of price. In all those scattered, and,

in comparison of Britain, scantily-supplied markets, the price must be regulated by the demand in the great central market to which everything is flowing. However cheaply corn may be purchased in Europe, its price will necessarily be raised by the competition of British capital, till the profit on its importation be reduced to the ordinary rate. The holder of foreign corn will take care to sell it at such a price as will only leave him this profit, and no more. The prices of grain in Europe will, accordingly, be found still to keep pace with those in Britain. For twenty-four years prior to the year 1794, the price of wheat in Dantzic, with the exception of only two years, did not rise to 40s. a quarter. The deficient crop of 1794, and the high prices in Britain, raised it to 58s. in 1795; and from the same cause it rose, in 1800 and 1801, to 72s. and 73s.; and in 1817 and 1818, to 92s. and 70s.; and it is, indeed, obvious, that where the trade is free, corn cannot be materially higher in one country than in another.

Several writers of distinction, among others Mr Ricardo and Mr Maculloch, propose to lay a duty of 5s a quarter on the importation of wheat, in order to countervail the unequal duties with which they state that the land in Great Britain is burdened, and to grant a bounty to the same amount on exportation; or a drawback, as they term it, for the purpose of guarding against a superabundant produce, and an undue fall of prices. It is by restraints on importation, and bounties on exportation, that the corn trade has always been held in bondage; and in admitting the expediency of those restrictions, we,

in a manner, give up the cause of free trade; we quit the vantage-ground of principle, to commence an inconclusive dispute about mere details. If the land is burdened with unequal taxes, they ought to be pointed out, that they may be repealed. There is no other mode of redressing the grievance. Unjust taxes on land cannot be countervailed by unjust taxes on commerce. Equal taxation is not to be attained by such a process. A direct indemnity to the land, if any claim for indemnity could be made out, would be the better policy, in place of indirect attempts at compensation, by sending its produce abroad and raising its price, as if plenty were an evil to be guarded against; as if it ever could be necessary to protect the land against the consequences of its own fertility, by paying for exporting part of the home supplies. This was the narrow policy of the Dutch, who, when their spice islands produced too largely, burnt part of the crops to enhance the price of the remainder. No legislative skill can guard agriculture against the effect of varying prices; nor does it require this protection more than any other branch of industry. The abundance and cheapness of corn, though it may occasion a fall of rents, is a great blessing to the community at large; and the proposed bounty on the exportation of its produce is as unnecessary, as it would, like every other contrivance for the encouragement of trade, be entirely inefficient. Whether a country shall export or import grain, depends on the price; which, again, depends on many concurring causes, deeply connected with the general state of industry and wealth. A bounty of 5s. on

the quarter of wheat would have no effect in converting Great Britain from an importing into an exporting country. It would not nearly countervail the difference of price in the respective markets of this country, and of Europe. In 1822, a noted year of cheapness, when the average price of wheat in Britain was only 43s., the price in Dantzic was 29s., 1d.; in Odessa, 19s., 8d.; in Rotterdam, 34s. 11d.; add for freight and other expences, 10s.; which would bring the price of British wheat to 53s. 3d. before it could reach the market in Dantzic, to enter into competition with corn about half its own price. There is nearly the same disparity of price between the British and every other market; so that without a bounty, not of 5s., but of 20s. or 30s., the produce of Britain would have no chance of a sale in the cheaper markets of the Continent.

It is by no means clear, however, that the land has any claim for compensation on account of unequal burdens; nor is it likely that, holding the rod of taxation in their own hands, the landlords would lay it too heavily on themselves; and accordingly, in the distribution of the public burdens, those connected with land have been exempted from several taxes to which others are liable; such as, insurance duties on farm stock, duties on horses employed in husbandry, the legacy duties, and others. The burdens chiefly complained of as pressing unequally on the land, are the land tax, the tithes, the church rates, the poor rates, and county rates. Of these, the land tax, from the improved value of the land, bears too small a proportion to the rent to afford

any subject of complaint; and the tithes were originally the property of the Church, they never belonged to the landlord,—and their payment to the rightful owner can hardly be counted among his unequal burdens. The poor rates affect not merely the land, but houses, and manufacturing establishments, such as mills and factories; and it has been estimated that these pay their fair quota of this tax. At any rate, there is certainly no such inequality as to call for a compensation to the land by an artificial rise in the price of its produce. Good roads, the expense of which is partly defrayed by highway rates, chiefly benefit the land, by affording to its produce an easier access to markets. On the whole, therefore, this plea of compensation in favour of the land appears to rest on no clear or intelligible ground; and even if land were unequally taxed, the error is not to be corrected by another unequal tax on the whole community.

An exportation of gold, in payment of corn exported, a drain on the Bank for specie, and commercial distress in consequence, are enumerated among the other evils of the corn laws; and the importation of corn, as of any other commodity, no doubt increases the foreign debt of the country, for which an equivalent must be given. Corn, when imported, however, no more requires to be paid in gold than any other article, such as cotton, or wool, which swells the list of imports; an excess of which above the exports, occasions an unfavourable exchange, and an exportation of the precious metals. It is from the general course of commerce, and not

from the importation of any particular commodity, that the mass of specie which floats in the great market of the world, receives its impulse and direction. The imports of Great Britain, for several years, have amounted in value to above £60,000,000. Their official value, in 1842, was £64,377,962. An additional import of corn, to the amount of 2,000,000 or 3,000,000 of quarters, could hardly make such an addition to the debt as to require to be paid wholly in gold. Great Britain is a vast storehouse of goods, assorted for all the various uses of life, in which the importers of corn could not fail to find articles of use or luxury, to suit the foreign market. It could not be necessary to send gold alone in exchange for corn, from the want of other suitable equivalents. So great a quantity of gold besides, to the amount, we must suppose, of £4,000,000 or £5,000,000 sterling, could not be taken into the circulation of those countries from which corn is received. It would overflow in all the channels of trade, and would, in consequence, be immediately sent abroad in exchange for goods. But, in this case, would not the first exchange be for goods rather than for gold? Would gold be demanded in those countries where it was not required in the circulation, and where it could not be used, and where it would be immediately exported in exchange for goods? If the purchase of corn, or any other expense abroad, subjected the Bank to a drain of specie, this effect would invariably follow, in every case when corn was purchased abroad, or any other foreign expense was incurred. This, however, is far

from being the case. We find the stock of specie in the Bank declining, sometimes when there is no importation of corn, or any other expenditure abroad; at other times increasing when corn is flowing into the country. The expenditure of Great Britain, in the West Indies and in Europe, during the first four years of the war which commenced in 1793, amounted to £33,510,779; besides the grain imported in the four years ending in 1796, estimated in value at £8,944,012.[1] All this foreign expenditure was defrayed without any great demand for gold, or any serious pressure on the Bank, until near the end of the year 1795. In August of that year, the stock of bullion amounted to £5,136,350. In 1796, the foreign expenditure continued, along with another cause, more powerful than any, to drain the Bank of its specie; namely, distrust and domestic alarm, by which, in 1797, the well-known suspension of payments was occasioned. Nor in the subsequent history of the Bank, will the drain of specie be found to correspond with the importations of corn. From 28th February, 1824, to the same date in 1826, the specie in the Bank of England declined from £13,810,060 to £2,459,510;[2] being to the amount of £11,350,550. In 1824, the importation of corn was trifling; and in 1825, it did not amount, of all sorts, to more than 1,057,078 quarters; for the payment of which, even if gold had been demanded, so

[1] Report of Lords' Committee of Secrecy, p. 144.

[2] Appendix to Report from Committee on Bank of England, p. 23. See, also, Report of the Secret Committee on the Bank Charter, and the Reports of the several Committees on Banks of Issue, for 1840 and 1841.

large a sum as was drawn out of the Bank would not nearly have been required. In the several years of 1828, 1829, 1830, and 1831, the importations of wheat amounted to 841,828, 1,363,487, 1,700,548, and 1,487,807 quarters. The bullion in the Bank of England amounted, in February 1828, to £10,347,290; from which it declined to £6,795,530 in August 1829: in February 1830, it had increased to £9,171,000; and in August of the same year, though large importations of corn had in the meantime taken place, to £11,150,480. In 1838, wheat was imported to the amount of 1,241,460 quarters. The bullion in the Bank amounted, in January, to £9,892,000, at which it continued throughout the year 1838, notwithstanding the influx of foreign grain; and on the 24th December, it still remained at £9,594,000. In 1839, the import of wheat was 2,534,556 quarters, and the specie in the Bank declined to £2,471,000 in the beginning of August. There were, however, other causes for this decline in that year; namely, the commercial distress and distrust which generally prevailed abroad, as well as at home, and which contributed materially to the drain which the Bank then experienced. That it was not the importation of grain which cleared the Bank of its specie, appears from this, that after the stock was reduced, in August 1839, to its lowest point, namely, to £2,471,000, foreign grain continued to flow into the country throughout the remainder of the year, as well as in 1840, which could not have been paid with specie drawn out of the Bank; seeing that its stock continued all the while to increase,

and in December, 1839, had risen from £2,471,000 to £4,532,000. During the years 1840 and 1841, wheat and flour were imported to the amount of between 2,000,000 and 3,000,000 quarters; by which, however, the stock of bullion in the Bank does not appear to have been affected, having continued during the year at about £4,000,000. In 1842, grain was imported in large quantities, and was brought out of bond, under Sir Robert Peel's act, to the amount of 2,457,931 quarters. Specie, in the meantime, continued to flow copiously into the Bank, having gradually increased to between £9,000,000 and £10,000,000. From all these facts we may infer, that an importation of foreign corn does not necessarily, any more than other articles, require to be paid for by an exportation of gold; and that the drain of its cash, to which the Bank has been frequently exposed, has its origin chiefly in other causes. America does not import, but regularly exports corn for the supply of other countries; yet its banks are frequently assailed with demands for specie which they cannot answer, and are compelled, in consequence, to suspend their cash payments.

The chief objection to those laws for regulating the importation of corn is, the example of monopoly which they hold out to other nations, and which they are nowise unwilling to follow; and they are peculiarly inexpedient on the part of Great Britain, excelling in every mode of ingenious industry, and commanding every market, by the superiority of her produce. Her industry already languishes under the baneful influence of rival

monopolies, and is still farther threatened. Other nations require, or think they require, protection against her too powerful competition. America has, accordingly, increased the import duties on British goods, as has also France on British linens; the Germanic Association are proceeding in the same course; and her own narrow policy silences all complaints against those restrictions, however false in principle, and however prejudicial to the interests of all commercial states. The real evil, therefore, of those restrictions, is not so much any limitation in the supply of corn, or any material rise which they occasion in the price, as the retaliation to which they give rise from other nations, by which Britain is excluded from foreign markets; and the monopoly directed against the commerce of others thus, in the end, recoils on our own.

CHAPTER XI.

ON METALLIC CURRENCY.

The currency of a country consists of different metals, according to the progress of wealth and improvement.—The functions of these different metals pointed out.—Distinction between the currency used in the main payments, and the inferior or subsidiary currencies used in the smaller payments.—In all the currencies of Europe, copper a subsidiary currency.—Silver a subsidiary currency in Britain, though not in any other country.—This great change effected in the reign of William III.—Account of the state of the currency at that period.—Proposed remedy of Sir

Isaac Newton for the scarcity of the silver coin.—Inconvenience of using two metals in the large transactions.—Exclusive use of gold in the main payments.—The perfection of the British currency.—Former deficient state of the silver coin in this country.—New copper coin issued.

THE reasons that have induced mankind to convert metals into coin have been already explained by Dr Smith; and it is, indeed, sufficiently obvious, from a consideration of their qualities, that no other substance would answer the purpose equally well. In different periods of improvement, different metals have been fixed upon for this purpose; and the same metals have also, at different times, prevailed more or less in the currency of every country. The use of money being to facilitate exchanges, it will naturally consist of the metal most suited to the value of the exchanges, and of course to the value of the payments which it is designed to effect. When the payments are large, it will be most convenient to use a metal containing a great value in little bulk; as in that case the same sum can be counted and weighed in much less time. But for trifling payments, a coarser metal will answer better; as a precious metal could not be conveniently divided into sufficiently small portions for the purpose required. The smallest payments occur in the retail trade; and it is for this trade, accordingly, that coins of a very low denomination are found necessary. By giving the retail dealer a measure of value for the smallest portion of his goods, he can suit his trade to the demands of his customers, however trifling. Farthings, accordingly, which have

been long disused in the general payments of the country, have been sometimes required in London for the retail trade in beer, which being sold in small quantities, a coin proportionably small is wanted to measure the exact value of what is thus purchased. With a large coin there could be no accurate measurement of value; and no business could be done, unless under some different and less convenient arrangement. Grocers, also, and other retail dealers, occasionally require farthings in their minute dealings.

In an early stage of society, when nations are poor, and their payments trifling, copper has frequently been known to answer all the purposes of currency;[1] and it is coined into pieces of very low denominations, in order to facilitate the inconsiderable exchanges which then take place. In the early ages of the Roman republic, a copper coinage effected all the necessary payments; and it was not till conquest had introduced luxury and wealth, that the Romans found it necessary to employ silver coins. Their copper coins were also of very low denominations. Copper was formerly used in Scotland for the main payments; and, within the last fifty years, aged persons were alive, who, in the beginning of the last century, had seen the tenant carrying a sack of copper to the landlord, in payment of his rent. There were, also, no less than four denominations of copper below a halfpenny.

The general wealth of a country is very accurately measured by the nature of its payments,

[1] Lord Liverpool on the Coin, p. 146.

and the state of its coin; and the decided prevalence of a coarse metal in its currency, joined to the use of coins of very low denominations, marks a rude state of society. In the progress of improvement those coins fall into disuse. Being chiefly used for the retail of consumable articles, they are gradually thrown out of employment, as the retail transactions grow more considerable, in consequence of the increasing wealth of the country. Silver is also, at the same time, introduced into the more important transactions of commerce, in place of copper; and as wealth continues to increase, and to be more equally diffused, gold is, at last, the only metal in which the larger payments can be effected. The business of the currency thus naturally divides itself into two distinct departments: the duty of effecting the main payments being reserved for the more precious metal; while the inferior metals are still retained for more trivial exchanges, and are thus merely subservient to the main currency.

Between the first introduction, however, of a more precious metal into the currency of a country, and its exclusive use in the main payments, there is a wide interval; and the payments of the retail trade must, in the meantime, have grown so considerable, in consequence of the increase of wealth, that they can, in part at least, be conveniently managed by the new and more valuable coin; since no coin can be used for the main payments which is not suited, at the same time, to the transactions of the retail trade. It is from the consumer that every trade, whether it be a trade of production or manufacture, derives the

ultimate return of its capital. The capital of the retail dealer is immediately replaced by the money of the consumer; the retail dealer transmits what he receives for the sale of his goods to the wholesale merchant, who, in like manner, pays it away to the manufacturer or to the farmer: so that though the most precious metal might be most conveniently used in the main payments, the currency which carries on the retail business must still mix in all the great transactions of trade. It will be collected by the retail dealer in sufficient quantities for his wholesale payments, by whom it will accordingly be paid away in large sums for his goods; and thus it will circulate and perform the functions of the main currency. Though all the larger payments might be more conveniently effected in gold, yet a country must still have a currency suited to the small scale of its retail transactions; since its consumable commodities could not otherwise be divided into sufficiently small portions for the wants of the community. That metal, therefore, whether silver or copper, which will both answer this purpose, and will also effect, though with less convenience, the main payments, must still assist in the more important transactions of the country.

In all the metallic currencies of Europe, copper is a subsidiary currency; no payment being ever made in that metal, unless it be too inconsiderable for any of the silver coins. But although gold has been long introduced into all the continental currencies, it has not supplanted silver in the main payments. The nature of payments on the Continent does not, it

seems, permit the use of silver as a subordinate currency. Although gold would clearly answer better for the greater payments, yet silver must still be collected in large sums by the retail dealers. The disposal of their goods must still bring them a considerable portion of silver currency, which they can employ in no other way than in paying the demands of the wholesale merchant. In Britain, it is evident that the quantity of silver in circulation does not exceed what is wanted for the smaller payments, as it has been often difficult to procure change for the gold coins; and silver coin has at times been sold for a premium. Silver is hardly ever seen in a larger sum than twenty shillings; and, in point of fact, few payments of that amount are ever made in silver.

Before the reign of William III., silver, we are told,[1] was brought in large bags to the Treasury in payment of the national revenue. But at this period the great change took place, which for ever excluded it from the main payments; and the facts then disclosed deserve the more attention, as we have no exact knowledge of any such crisis in the currency of other countries. It would be interesting to trace, if we had materials for so curious an inquiry, the rise and decline of a particular metal in the currency of a country; but the want of facts is a bar to such an investigation. The period when silver was substituted for copper in the currencies of Europe is buried in obscurity: for such matters, unfortunately, seldom engage the notice of historians. It is to war and politics that their attention is chiefly directed;

[1] Lord Liverpool on the Coin.

while, for those favourite topics, the precious details of domestic history are thrown into the shade. In most parts of Europe, in America, and throughout India, silver still continues to be used in the main payments; and we have no data to calculate when gold may take the lead in the currencies of those countries. Such an era may not occur in the revolution of centuries; and in every view, therefore, it is worth while to attend to the state of the British currency at the period alluded to. The exclusive introduction of gold into the main payments of England, was a clear proof that the returns of the retail trade were by this time chiefly made in that metal; which might have been the case though no single payment had ever exceeded, or even equalled, any of the gold coins; because, in the general abundance of gold, and scarcity of silver, gold coins would naturally be offered for small sums, and a balance of silver demanded in return; by which means gold, by thus assisting in the retail trade, and economizing the use of silver, even for the smaller payments, would prevent its accumulation by the retail dealer; and as it was formerly found necessary, when silver was used for the retail trade, to employ it also in the great payments; in like manner gold cannot now be exclusively employed in the main payments, without occasionally doing the duty of silver in the retail trade. If gold were not used for this purpose, more silver would be required; which would, in that case, be collected by the retail dealer in sufficient quantities for his wholesale payments, and would thus encroach on the functions of the higher currency.

The substitution of gold for silver in the larger transactions must immediately occasion an excess of the latter currency, and consequently a fall in its value, which affords the necessary temptation to melt it down. At the time the great change took place in the currency of Britain, the silver coin had been so much debased by clipping, and by the wear and tear of circulation, that a guinea passed for 30s. To remedy this defect, a new silver coinage had been just issued, to the amount, in tale, of £6,882,908, 19s. 7d. But silver being now excluded from the main payments, the quantity issued was far more than could be employed in the smaller payments. The excess, accordingly, encumbered the circulation, and the silver coin fell 4½ per cent. under its intrinsic value; and being worth more in bullion than in coin, the greater part of the excellent currency recently issued, was, in consequence, converted into bullion, and exported. Though government had spent about £2,700,000 on this coinage of silver, yet, in seventeen years, it had almost wholly disappeared.

Alarmed by this unaccountable diminution of the silver coin, the matter was referred to Sir Isaac Newton, who, in his report to the Lords of the Treasury, showed, from the relative value of gold and silver all over Europe, that silver was underrated, in the British currency, in proportion to gold; and on this account, being more valuable in bullion than in coin, it was melted down, and exported. He mentions, besides, an important fact in regard to the currency of Sweden, which, being duly considered,

affords the true explanation of the change then going on in England. In Sweden, the value of silver was higher in proportion to gold than in any other part of Europe; and Sweden, it appears, which had formerly been content with a copper currency, began now to abound in silver. The same change was going on both in England and Sweden. Their increasing wealth required a more valuable currency for their cash transactions; and the high price of silver coin in Sweden, and its low price in England, were necessary to perfect the desired improvement.

To the accident of silver being underrated in proportion to gold, Lord Liverpool, in his valuable work on the British coin, ascribes in part its exclusion from the main payments. The same cause, however, had frequently before excluded silver from the circulation; but it was soon found that it could not be wanted; and it was, therefore, more accurately valued, for the purpose of being again introduced into the currency, and used as formerly in the main transactions.

It is evident that the coin used for the larger payments can only pass current at its intrinsic worth; and all attempts, accordingly, to alter its value, either by debasement, or by raising its denomination, have uniformly produced a corresponding rise of prices. Men are alarmed when they see the fundamental principles of value thus shaken; and they plainly perceive, that the ruin and injustice of such arbitrary innovations must finally bring back the coin to the sure standard of intrinsic worth. They refuse to transfer their property on the faith of this artificial

and uncertain value stamped upon it; and, in all their transactions, they are guided, not by its nominal, but by its real value. They do not choose to give up the security of substantial property for the guarantee of tyranny and fraud. But intrinsic worth does not appear necessary to a subsidiary currency, because its depreciation cannot be attended with such injurious effects. If we suppose copper, which, throughout the whole of Europe, is used solely for the smaller payments, to be depreciated 50 per cent., so that twenty-four halfpence really contained copper to the value of sixpence, how trifling is the risk of taking such a currency in payment, so long as it is confined to small sums? Though it should be even found necessary to make it pass for its intrinsic value, the loss of an individual must still be trifling. He might possibly have in his possession twenty-four of these halfpence, and in that case he would lose exactly the half of that sum; but the apprehension of such a loss would never induce him to compare the value of copper in coin and its value in the market; still less would he refuse it in case he found any deficiency. When payments amount to £1000 or £2000, the case is different: it then becomes of importance to examine the currency in which the payment is made, both as to its weight and fineness, and to exact strict compensation for every deficiency. Without this necessary caution, trade would be a continual fraud, to which no man could submit without being speedily ruined. The coin, therefore, in which the greater payments are made, must in all cases be brought to

the test of its intrinsic worth; while it is the peculiar distinction of a currency confined to the smaller payments, that it will circulate for an arbitrary value.

In Rome, while copper was the prevailing coin, it was current only for its intrinsic worth; and in the first Punic war, it was, accordingly, by diminishing its weight, that the public, and all other creditors, were defrauded. Silver had been introduced about five years before the commencement of that war;[1] and it gradually superseded copper in the main payments, though we cannot fix the precise period of this change. The fact seems certain, however; and it is on this ground that the historian Gibbon defends Justinian[2] for taking one-seventh from the weight of the copper coin. Copper was, at this latter period, confined to the smaller payments; and on this account, what was formerly a mischievous fraud, was now an improvement. Gold was introduced into the Roman currency sixty-two years after silver;[3] but it never seems to have excluded silver from the main payments; for the same historian, in his account of the Roman taxation,[4] states, that it required a particular law to enforce the payment of the public revenue in gold. Pliny mentions, that the tribute of the conquered provinces was formerly exacted in silver; and he expresses his wonder that gold was

[1] Metrologie; ou Traité des Mesures, Poids, et Monnoies des anciens peuples et moderne; Par M. Paucton, p. 385.

[2] Decline and Fall of the Roman Empire, vol. iii., p. 86.

[3] Metrologie, &c., p. 412.

[3] Vol. iii., p. 106.

not preferred. Gold, however, it appears, had afterwards become the more desirable currency, though silver had been still collected in sufficient quantities for the main payments, otherwise the order to receive gold alone, in payment of taxes, would have been useless.

In the currencies of Europe, where copper is confined to the smaller payments, it passes for whatever value is fixed on it, without any examination either of its weight or fineness. Before the year 1798, the copper coin of Great Britain was in a very debased state; even the mint coins of England, when newly issued, were rated a good deal higher than their value in copper; a great proportion of them was, besides, much worn. The copper coin of Scotland was in a worse state; and the copper currencies of both countries were composed, in a great measure, of counterfeits. Although these counterfeits were occasionally refused, yet the mint halfpence, whether English or Scots, were always taken in payment, although their current value was probably double their real value; and even the counterfeits, after some little clamour, were current equally with the mint coins. Private copper coins also passed for the same value, and with equal facility, as other coins, until their circulation was finally stopped by the new issue of copper coins in 1798.

In the currency of Britain, intrinsic worth is not essential to the circulation of the silver coin; and it has accordingly long been current at an arbitrary value. Lord Liverpool estimates that the silver coins which were in circulation in his time had lost 29 per cent. of their weight; yet, twenty-one of these worn and debased shillings still exchanged for a guinea, which was perfect in its weight. During

the reign of King William, when the silver coin was in the same debased state, and when the gold coin was perfect in its weight, the case was different; thirty worn and debased shillings being at that time given for a guinea. Silver was then used in the main payments; and it would not circulate but for its intrinsic worth. Since the great reformation of the currency in the reign of King William, it has been confined to the smaller payments; and its current value has, in consequence, lost all connexion with its intrinsic value. At present, also, the silver currency has lost about 10 per cent. of its intrinsic worth; yet twenty shillings exchange, without any difficulty, for a sovereign of its full weight. On the other hand, when it was lately found that the sovereigns, from the wear and tear of circulation, had lost part of their weight, though not to the amount of above 1 or 2 per cent., their currency was immediately checked, their exact weight ascertained, and a strict allowance exacted for the smallest deficiency; by which the peculiar position which each of these metals occupied in the system was clearly marked out.

Dr Smith has entirely overlooked this peculiar property of a subsidiary currency, and he falls, in consequence, into several mistakes. In describing the state of the British currency, at the time he wrote, he observes, "Twelve copper pence contain half-a-pound avoirdupois of copper of not the best quality; which, before it is coined, is seldom worth sevenpence in silver. But as by the regulation, twelve such pence are allowed to exchange for a shilling, they are in the market considered as worth a shilling. Even before the late reformation of the gold coin of

Great Britain, the gold—that part of it at least which circulated in London and its neighbourhood—was in general less degraded below its standard weight than the greater part of the silver. One and twenty worn and defaced shillings, however, were considered as equivalent to a guinea, which, perhaps, was worn and defaced too, but seldom so much so. The late regulations have brought the gold coin as near, perhaps, to its standard weight as it is possible to bring the current coin of any nation. . . . . . . The silver coin still continues in the same worn and degraded state as before the reformation of the gold coin. In the market, however, one and twenty shillings of this degraded silver coin are still considered as worth a guinea of this excellent gold coin." The singular fact of twenty-one of these debased shillings exchanging for a guinea of its full weight and fineness, is here clearly stated by Dr Smith; but his explanation of it, namely, that the "most precious metal regulates the value of the whole coin," is far from satisfactory. Why should one sort of coin regulate the value of another, because it is more precious? *i. e.* because it contains a greater value in a smaller bulk. There is no reason in this, and it is besides contrary to experience; for we find the guinea exchanging in the reign of King William for thirty shillings, because they were worn and degraded, and had lost part of their value; and the same guinea only exchanging afterwards for twenty-one of the same still more worn and debased shillings.

Lord Liverpool has described, with more accuracy than any former writer, the state of the British coin, and the relations of its various currencies. But his

views are occasionally perplexed and inconsistent; and though he points out very clearly the change which took place in the currency during the reign of William III., and the subsequent limitation of silver to the smaller payments, together with its high value in circulation, he fails to explain the principle, and frequently overlooks all the necessary conclusions of his own statements. He had himself a principal superintendence of the copper currency issued in 1798; and it is remarkable, that though he observed the silver coin current without any inconvenience, for more than its real value, he directed the intrinsic value of the new copper currency to be made equal to its current value; thus causing its destruction, which, in point of fact, soon took place from a rise in the value of the metal of which it was made. The true explanation of the facts stated is to be found in the limitation of silver and copper to the smaller payments; in consequence of which it is no longer worth while to make any nice estimate of their intrinsic worth.

Money being the foundation of all mercantile contracts, it is of great consequence that it should remain steady in its value. The value of coin is, however, exposed to vary: 1st, From the varying value of the metals of which it is made; and, 2dly, From the wear and tear of circulation; light and worn coins being inferior in value to those that remain perfect in their weight. When two metals are used in the main payments, this inconvenience is the more felt, as the coins of the respective metals are liable to vary, not only in relation to commodities, but in relation also to each other; a rise in the value of

either metal destroying the established proportions of the currency, and rendering it profitable to convert coin into bullion. When silver coin, for example, is ordered by the regulations of the mint to be exchanged for gold coin at less than its intrinsic value, there is an obvious advantage in converting it into bullion, and selling it for what it may bring in the market. If either of the two metals, therefore, is undervalued in coin, it is generally melted down and restored to its true value in bullion. These inconveniences are inseparable from a metallic currency; as, however accurately gold and silver may be estimated in the currency, there is no guarding against the varying value of those metals in relation to each other; and, in that case, it becomes profitable to convert into bullion the coin that is current at an undervalue.

Both gold and silver have been alternately banished from the currency of England by an erroneous estimation of their value. They have occasionally, also, passed current at a value different from that set upon them by the regulations of the mint. After the discovery of the American mines, silver fell in its value when compared with gold; the gold coins were in consequence either melted down or exported; and James I. was under the necessity of raising their value nearly 11 per cent, when compared with the silver coins. It appeared, however, that this rise in the value of the gold coin was too great; as the silver coin, after this alteration, was almost wholly banished from circulation. The value of silver, however, when compared with gold, continued very rapidly to fall; so that a new valuation of gold became very soon

necessary, and the currency was exposed to continual disorder from the constantly declining value of silver, until at length it reached its lowest depression.

The exclusive use of the more precious metal in the main payments, constitutes the perfection of the British currency. It gives a unity to the whole system, in which is assigned to each of the different metals the distinct and appropriate duty of measuring, the precious metal the larger, and the inferior metals the lesser values. The shilling is now merely a division of the pound as the halfpenny is of the shilling; and from the limited amount of value which they severally measure, intrinsic worth not being necessary to their circulation, the currency is freed from the confusion incident to the varying value of the different metals in relation to each other, or to a wrong estimate of their value, in consequence of which one or other of them has often been melted down and disappeared. This simplicity in the plan of the currency, which obviates the risk of all internal disorder, has been often mistaken for a defect; and it has been suggested, that silver should be again introduced, as a measure of value in the higher transactions of trade, along with gold; though it cannot be doubted, that where the value is above a pound, gold is the preferable measure; and if the value be measured and ascertained in gold, to what purpose should it be re-measured in silver. In all measures, whether of space, of size, or of weight, we use suitable denominations for what is large and what is small. If we ascertain the distance from London to Edinburgh in miles, we scarcely think it necessary to compute it in furlongs, and in feet:

on the same principle, having measured the largest value with the most precious metal, which best answers the purpose, why seek to measure it by a more tedious process in silver? No authority, besides, could again force this inferior metal into the main circulation of Britain. The coins of which a metallic currency must chiefly consist, and their several uses, depend on the amount of the cash transactions in which they are employed. The limitation of silver to the smaller payments, was brought about by the progress of the country, and the increasing extent of its cash transactions; and while they continue at their present amount, silver is not of the value necessary to transact the main payments. It is not the currency which the retail dealer collects in the sale of his goods; and is not, therefore, in sufficient quantity for doing the duty of the main currency. If it were even forced into circulation for a time, it would soon be melted down, and disappear; as when it was formerly issued in so large a quantity in the reign of William III.; and gold, from its greater convenience, would be introduced in its stead.

Those who have had the charge of the British coin never seem to have thought of any suitable plan for the regulation of the inferior currencies; and the silver coin was, for nearly a century, totally neglected; and consisted accordingly of old and worn coins without any remains of their former appearance; twenty-one of which, though deficient about one-third in their weight, still exchanged for a guinea of its full weight. The copper coinage was regulated on equally mistaken views. In 1798, 1815 tons of copper were coined into penny pieces, halfpence, and farthings; of

which, as we are informed by Lord Liverpool, intrinsic worth was adopted as the basis; by which they were only rendered more heavy and cumbersome, without being more useful; and by a rise at last in the price of copper, as has been already stated, were all melted down, and disappeared; and in the more populous parts of the country, a base currency was substituted in their place. By this plan, therefore, the community were put, 1st, to the useless expense for metal incurred by the great weight of these copper coins; and, 2d, to the loss of this excellent currency, in consequence of the quantity of metal which it contained. A new silver coinage has long been substituted for the old and debased silver currency; and both the silver and the copper coins that are now circulating in Britain are sufficiently heavy, and might, perhaps, be somewhat diminished with advantage, and certainly without any loss.

With respect to the particular sum for which the inferior currencies should be made a legal tender, it is clear that, as the use of copper is to aid, not to supersede, silver, its station in the currency is thus fixed; and it should not, therefore, be made a legal tender for any sum above sixpence, the lowest silver coin; while silver, for a like reason, should not be made a legal tender for more than a sovereign. In matters of this sort, however, laws are in general of little avail. In this country, for example, when silver was a legal tender for £25, it was often so scarce that it was difficult to procure change for a guinea; and hence no payments to that amount could ever be made in silver. If silver never exceed what is wanted for the smaller payments, it cannot be collected in suf-

ficient quantities for the larger payments; and though there were no law limiting its legal tender, it could not, in these circumstances, be generally offered in payment of large sums. If, on the other hand, it exceed what is wanted for the smaller payments, no law restricting its legal tender will prevent its accumulation by the retail dealer, as he may soon collect a large quantity of silver or of copper, though none of his payments should ever exceed 20s. or even 6d.; for which respective sums the silver and the copper coins ought always to be a legal tender. It has already been shown, that the use of gold in the main payments necessarily implies also its use in the retail trade: those who have gold coins offering them for small purchases, and receiving with the commodity purchased a balance of silver in return; by which means the surplus of silver that would otherwise encumber the retail dealer, is drawn off and dispersed into general circulation. But if there is as much silver as will transact the small payments, independent of gold, the retail dealer must then receive silver for small purchases; and it must of necessity accumulate in his hands. In this country, an excess of copper coin was issued during the year 1798, by private traders; and, though copper was not a legal payment for more than sixpence, the surplus soon found its way into the coffers of retail dealers, who naturally tried, by various expedients, to force it back into circulation, from which, however, it was sure to return, and finally to settle in their hands. It was accordingly found, that when its circulation was stopped, copper had accumulated with the retail dealers in sums of £20, £30, and even £50, which they were obliged finally to dispose of

as old copper. The evil arose from the excessive issue of those coins by private traders, on whom all recourse was gradually lost; and the currency thus imposed on the public was a sure source of loss wherever it was accumulated. It was against an evil of this sort that Swift, without seeing its precise nature, wrote so powerfully in the Draper's Letters. The halfpence were to be issued in Ireland for more than their intrinsic worth, for the benefit of an individual of the name of Wood, who had an interest in their excessive issue. This, and not the overvaluation of the coin, was the real evil; as the obnoxious currency with which the community would have been overflowed, would have gradually accumulated in the hands of the retail dealers, on whom it would have brought certain loss.

Though no law respecting the legal tender of the inferior currencies can prevent their accumulation by the retail dealers, in the event of their excessive issue, some such regulation seems, nevertheless, necessary; as a degraded currency might otherwise be generally offered in payment of large sums, by which means all creditors might be defrauded.

CHAPTER XII.

PAPER CURRENCY.

The value of paper dependent on the promise to pay.—Its value regulated by its plenty or scarcity.—Depreciation the consequence of over-issue.—Cannot take place when payable in specie.—

Banks.—Common all over Europe.—Bank of England the most wealthy.—Its capital.—Dividend.—Profits.—From what sources derived.—Increase during the war.—Decline of its business with the return of peace, and the resumption of cash payments.—Increase of banks throughout the country.—Their skilful management of cash transactions.—Increased facilities for the remittance of money.

A CURRENCY of paper which has no intrinsic worth, must depend for its circulation on credit. It is merely a promise to pay on demand; and it is only on the faith of that promise that it circulates, without which it would be of no more value than so much waste paper. When this promise is punctually fulfilled; when the paper is exchanged for gold, the moment it is presented for payment, its value will never vary from the standard. The promise, for whatever amount of gold or silver it may be, will always be of the same value with the thing promised; and a currency of paper solidly fixed on this foundation, safely moored, as it were, to the sure anchor of the precious metals, will always remain steady in its value, and will answer every purpose of specie, whether as an instrument of exchange, or a measure of value.

The value of money, consisting either of paper or of coin, is determined, like that of every other article, by its plenty or scarcity. The discovery of the American mines, which increased the supply of the precious metals, lowered their value in proportion; and a supply of paper beyond the demands of trade will, in like manner, lower its value. But a currency of paper convertible into specie at the will of the holder, cannot be thus unduly increased; because the surplus will be immediately returned on the

bank which issues it, in exchange for specie. If the bank persist in re-issuing its returned notes, it will be quickly admonished of its error by a continual drain of cash, until the excess which encumbers the circulation be in this manner thrown off. Where a bank is no longer bound to pay in specie, the discretion of its managers is the only security against excessive issue; and where this takes place, it will be followed by depreciation without any remedy: because a bank thus released from its engagements, is closed against any return of its superfluous and depreciated notes.

Of all the banks of circulation that have been established in the great cities of Europe, as in London, Paris, Vienna, Berlin, Petersburg, &c., the most important is the Bank of England, whether we consider its great wealth, exceeding that of any other trading company, or the vast extent of its transactions. Its capital, on which dividends are paid, amounts to £10,914,750; and the sum lent to government, to £11,015,100. The business of the bank consists in the discount of mercantile bills, or in advances on other securities for the accommodation of trade. It acts, besides, as a great engine of State; receiving and paying the interest due to the public creditor; circulating Exchequer bills; accommodating government with advances on the credit of funds not yet realized; and assisting generally in all the great operations of finance. The management of the public debt, which increased in the course of the two last wars from £249,851,628, its amount in 1792, to between £700,000,000 and £800,000,000, has yielded a large profit. The allowance to the bank

per million was in 1726, under the administration of Sir R. Walpole, £360; it was afterwards increased to £562. In 1786, it was reduced to £450, when the public debt amounted to £224,000,000; and in 1807, it was still further reduced to £340 on the first £600,000,000 of debt, and to £360 per million on all above that sum; at which rate it continued till the year 1832, when it was provided in the act renewing the charter, that an annual deduction should be made from it of £120,000, leaving for the profit of the bank £130,000 a-year. In 1792, the sum paid by the public on this account was £99,803; and in 1815, when the debt was swelled to its highest amount, £281,568. The public deposits with the bank increased, during the two last wars, in a like proportion, and yielded a large profit. There is no separate account of these prior to 1807. In 1792, they could hardly have exceeded £4,000,000. They had increased in 1806 to between £11,000,000 and £12,000,000; at which amount they continued for the ten following years. From the use of this money a large profit accrued to the bank, even after making a deduction for the sum of three millions lent in return to the government without interest. The circulation of the bank increased with this increase of business from £10,729,520 in 1796, to £27,261,650 in 1815; and the securities, from £10,000,000 and £17,000,000, to £44,558,500. From this vast accumulation of business, both public and private, the profits of the bank appear to have been prodigiously augmented during the late wars. The dividend was increased in proportion. From 1797 to 1806, it amounted, including the bonus paid

from time to time, to above 10 per cent., and was continued regularly at that rate on a capital of £11,642,400, amounting annually to £1,164,240 till the year 1816, when the capital was increased to £14,553,000, being an addition of 25 per cent.; on which the dividend of 10 per cent. was still paid, amounting to £1,455,300. A sum of undivided profit was besides accumulated, which had increased in 1816 to £8,639,680. The effect of this addition of £2,910,600 to the capital of the bank was to raise the value of each £100, producing an income of £10 a-year to £125, and to increase the income of each proprietor proportionally, *i. e.*, to £12, 10s. per annum. With the great profit thus realized since the suspension of cash payments in 1797, the value of bank stock rose from £125 per cent., its price in 1797, to £262 per cent. in 1816. The original capital of the bank thus acquired, since it was released from its obligations to pay in specie, an additional value equal to £16,000,000; which, added to the increase of its undivided profit, amounting to above £5,000,000, makes a sum of £21,000,000, the actual inproved value of the bank capital in the course of nineteen years, besides the bonuses paid in 1799, 1801, 1802, 1804, and 1816, amounting to £5,530,140.[1]

Those great profits declined with the resumption of cash payments. In preparing for that necessary measure, the bank was forced to contract its business. The circulation was reduced from £29,543,780

[1] See Appendix to the Report of the Committee on the Bank of England Charter, No. 5, and No. 34. The undivided capital of the bank was, in 1797, £3,471,320, and in 1816, £8,639,680. Appendix to Report for the Bank of England Charter, No. 5, No. 34.

in August 1817, to £20,295,300 in August 1821; the securities from £44,558,500 in 1815, to £18,475,540 in August 1821. The commercial bills under discount fell off from £11,416,400 in 1816, to £3,960,600 in 1817; and they were afterwards still farther decreased to £1,533,600 in 1831. Notwithstanding this decline of business, the high dividend of 10 per cent. was still paid, even on the increased capital of £14,553,000, amounting to £1,455,300. It was taken, however, not out of profit realized, but from the sum of undivided profit previously accumulated, which was, accordingly, reduced from £8,639,680 in 1816, to £3,067,020 in 1823. In that year, the dividend was lowered to 8 per cent., and amounted to £1,164,240; and in 1832 the capital was reduced to £11,642,000, its former amount, or 25 per cent.; this sum being repaid by the government to the bank, and divided among the proprietors. But this dividend on the reduced capital, though now only amounting to £931,382, could no longer be afforded out of the annual profits; and in 1839 it was still farther reduced to 7 per cent., its amount prior to 1797, and amounting to £814,968. The price of bank stock declined with the fall of profits from £262 to £200, and was, in 1842, at £162. It has now risen, in 1844, to £193.

The establishment in the metropolis of a national bank, with a large capital, facilitates the introduction of banks in other parts. Every bank of issue requires a supply of specie; and a national bank provides this necessary supply, which, in the general course of circulation and commerce, is distributed among the lesser banks. A portion of their capital is generally invested in negotiable securities, by the

aid of which they can always obtain a supply of Bank of England notes. Banks of issue are now established in all the provincial towns of Great Britain. They multiplied rapidly in that short interval of prosperity which followed the American war. They were estimated by Mr Thornton[1] to amount, in 1797, to 353; in 1799, to 366; and they amounted, in 1814, to 994. The law which restricted banks in England to the number of six partners, impaired their means, and consequently their stability; and the commercial distress which prevailed in 1814, 1815, and 1816, was aggravated by the frequent insolvencies and ruin of the English banks. Their number, accordingly, has rather diminished; the licences taken out in 1832 being only 636; and they do not appear to have since increased; though between eighty and ninety joint-stock banks are now established in England. There are also about thirty banks in Scotland, with branches in almost every town.

Those various money-dealers, dispersed throughout the kingdom, take charge of its cash transactions, which they manage with equal economy and despatch. In Great Britain, the progress of capital and of trade; the known wealth of banking establishments; and the high state of mercantile confidence, together with the facilities of communication, and other advantages peculiar to an advanced state of society, have brought the system to perfection; and remittances to London from the country, which were formerly tedious and difficult, and for which a premium was given, varying from 2s. 6d. to 20s. per

[1] Inquiry into the Nature and Effects of the Paper Credit of Great Britain, p. 154.

cent., are now made both safely and readily from the most distant parts. The necessary effect of this highly artificial and curious system is, to concentrate in the wealthy and populous towns the cash transactions of the neighbourhood; when the several balances arising out of these transactions being formed into new accounts by the money-dealers, are, by a simple transfer of debt and credit in their books, brought to a general balance. This balance being afterwards carried to a still more general account, all the scattered debts of the country are at length collected into one common account by the bankers of the metropolis, which is then brought to a final balance. The metropolis, the centre of intercourse and trade, is the centre, also, of this vast system of money-dealing. Here, as to a point, all the cash transactions of the country naturally converge; and here the account is finally closed by payments in cash, of which, in comparison with the vast extent of the transactions, an inconceivably small quantity is required.

CHAPTER XIII.

EFFECTS OF PAPER ON COMMERCE AND CREDIT.

Substitution of paper for specie increases the hazards of commerce.—Credit the cause of mercantile convulsions.—Accumulation of capital tends to extended credit—to reckless speculation—to commercial distress.—The nature of these calamities.—Examples which occurred prior to the use of paper:—in Scotland from the

failure of the Darien scheme—in France from the Mississippi scheme in 1719—in England from the South Sea scheme in 1720.—Commercial convulsions in Britain—in 1793—in 1825—in 1835.—Causes and consequences of these several calamities.—Convulsion in the United States in 1835.—Over-issue of paper generally held to be the cause of those calamities.—This opinion considered.—Issues of the banks overstated by Lord Liverpool.—No data then existing for an accurate estimate.—Excess not to be inferred from the absolute amount of the circulation.—Facts stated in illustration.—Over-issue raises the nominal price of gold.—No rise took place in 1825 or in 1835.—A proof that there was no over-issue.—The state of the currency not the cause of the unfavourable change.—Occasioned by large importations.—An increase of currency not an increase of capital.—Commercial distress occasioned by over-trading.—Bank restriction followed by an excess of issue, and by depreciation.—Not by over-trading, nor by any commercial crisis, as in 1825 and 1835.—Circulation of a bank dependent on the demands of trade.—Not regulated by the discretion of bankers—The currency of Britain not under the control of the bank directors.—Money-dealers agents between the lender and borrower.—The nature and limits of their functions.—No power to control speculation.—Not accountable for commercial distress.—Principles on which they conduct their business.—Confirmed by the evidence of practical men.—Theories laid down for regulating the circulation not adhered to in practice.—Rule of Mr H. Palmer considered.—Not followed.—Contraction of the currency suggested as a remedy for an unfavourable change, and a check to speculation.—State of the exchanges considered.—Means resorted to by the bank for remedying an unfavourable exchange.—Bills of credit drawn on Paris in 1832 and 1836, and in 1839; also in 1839 on Amsterdam and Hamburg.—Provided for by remittances of specie.—Circulation of the bank still regulated by the necessities of commerce.—A contraction of the currency seldom resorted to as a check to the drain of gold.—Illustrated by an account of the bank's transactions.—How the great mass of specie is affected by the fluctuations of commerce.

It is observed by Dr Smith, who has explained with his usual clearness the advantages of paper money, that the commerce and industry of a country

where it is used, will not rest on so secure a foundation as when the circulation consists of the precious metals. "Over and above the accidents," he observes, "to which they are exposed, from the unskilfulness of the conductors of this paper money, they are liable to several others from which no prudence or skill of those conductors can guard them."

The substitution of paper for specie, with all the refinements of money-dealing to which it leads, has the effect of binding the mercantile community more closely in the ties of confidence and credit; and hence, there is no doubt that this delicate machinery is not only more easily disordered, but suffers more severely when any such disorder occurs. Accordingly, we find that commerce, in this as in other countries, has been from time to time subject to sudden convulsions, which occasion extensive distress and ruin. These calamities have been ascribed to various causes; generally to the over-issue of paper by the banks, and to its subsequent and too sudden contraction. This theory, however, appears to have been rather hastily assumed, and neither to rest on any clear facts, nor conclusive argument; and there are other causes more deeply seated, and that are interwoven in the frame and structure of every mercantile community, to which, as some think, they have been more justly ascribed, and of which it will now be proper briefly to consider the nature and effects.

It is evident that, if there were no credit—if all articles as they were bought or sold, were immediately paid for in cash—there could be no bankruptcy,

nor any derangement of commerce. Every transaction would be immediately brought to a close, and would leave no risk behind. But if the capitalist A accommodate B with a loan of £20,000, and if B engage in ruinous speculations in which it is lost, A will be distressed, panic-struck, and finally plunged in despair, when he discovers that he has lost his whole fortune. If thousands are in the same situation; if, like A, they have lent, or invested their capital where there is no likelihood of any return, the distress will be still more widely extended in proportion to the greater amount of capital that is involved; and if a great proportion of the national stock be thus lent out on bad security, or unprofitably invested, the materials of a commercial convulsion are here to a certainty prepared, which sooner or later will burst forth with all the miseries that follow in its train. The cause is obviously the undue extension of credit; and the effect will always follow, wherever, from the superabundance of capital, credit is carried to excess. These calamities originate in misplaced confidence,—in this, as in all other cases, the great cause of commercial ruin; and which may take place, as in point of fact it has often taken place, when the currency consisted entirely, or nearly so, of the precious metals. In every industrious community capital naturally increases. It is the accumulated produce of land and labour; the surplus which remains over the annual consumption. It has been accumulating in this country, and throughout Europe, for centuries. The labour of the industrious classes has annually produced a greater quantity of

goods of every description than has been consumed; and by this constant addition, the national stock has increased to its present vast amount.[1] Peace conduces to the increase of capital, as war to its dissipation. Capital being the produce of industry, the greater the proportion of those who produce to those who consume, the more rapidly will it increase; as, on the other hand, it will be more quickly wasted, according to the proportion which the consumers bear to the producers. War, accordingly, which converts a large portion of productive labourers into soldiers and sailors, who consume without reproducing, impairs the national capital, and renders it scarce; while peace, on the other hand, disbanding this crowd of unproductive labourers, and setting them to work, the effect of their industry is soon visible in the increase of the national stock, and in the reduced rate of interest, which is invariably high during war, as it is always sure to fall with the return and continuance of peace. It is, accordingly, in a season of prosperity and peace that capital accumulates more rapidly, and that overflowing in the remotest extremities of the kingdom; and in all

[1] Many circumstances concur to point out to the most careless observer the gradual accumulation of stock in this country: such as the great improvement of the land in all quarters; the progress of manufactures; and the constant establishment of new branches of industry, and their extension into the remoter districts of the kingdom. The disappearance of the annual fairs for the sale of goods, which were frequently held in former times, is another consequence of increasing capital; the goods which, in order to economize a limited capital, were carried for sale from place to place, being now permanently stored up in every part.

the channels of trade it is daily found more difficult to lay it out with any chance of profit. With this increasing difficulty of investment, the capitalist not only lowers the rate of interest, but makes fewer scruples about the security. Commercial confidence thus necessarily keeps pace with the progress of wealth. Money is more easily obtained, and more readily invested; and it is this facility of credit which gives a dangerous impulse to mercantile enterprise; which sets afloat daring schemes and doubtful undertakings; and brings forward, in every branch of trade, a host of projectors, who, with borrowed funds, plunge into bold and reckless speculations, overlooking, in their eagerness for the prize, all the fatal hazards that beset the unwary adventurer in the lottery of trade. In this ferment of speculation, all schemes of domestic improvement, the construction of bridges, roads, canals, railroads, which absorb the superabundant capital of the country, as well as foreign loans, with numerous other rash projects, find ample support from the overflowing funds, and the ardent projecting spirit of the times. Commerce, in the meantime, presents the show of outward prosperity; everywhere is heard the din and bustle of business and speculation; industry flourishes in all its branches; and all things appear to go on smoothly. But deep and extensive ruin lies hid under this deceitful calm. The vast superstructure of commercial dealing, which shows so fair outwardly, does not rest on any solid foundation of real capital: it is chiefly reared up on speculation. The proper business of commerce is to convey, by the

speediest process, the rude produce of the soil, through all its various and necessary stages, from the cultivator to the consumer. This is the quiet and orderly channel in which trade regularly flows. The produce of the land is sold to the wholesale merchant; by him to the manufacturer; by him to the merchant, who keeps a large store of goods; by him to the retail dealer, who finally sells to the consumer. This is the regular beaten track of trade, from which, in proportion as it deviates, it becomes insecure. But in a season of high confidence and active speculation, large quantities of goods are intercepted in their way to the consumer; are bought at high prices, and stored up in the vain hope that prices will still be higher. The speculators thus not only increase their stock, but raise the price; and the consequence of this extra demand for goods is, that a large stock is accumulated, not for immediate use, but on speculation and at a high price, beyond the wants of the consumer. This artificial rise in the amount and value of the national stock, which occasions ultimately a vast loss when prices fall to their former level or below it, is the consequence of extravagant speculations; and it gives rise to a complicated mass of transactions resting on credit, and kept afloat by a floating mass of fictitious bills, drawn and redrawn in a continual circle. So long as a high state of confidence remains; so long as the speculators are supplied with ample funds on easy terms, and on long-dated bills, the system may be supported; the external show of prosperity may be maintained; the mercantile community may still slumber on in a false security; and

ruined traders may continue still farther to spin out the long thread of their ruinous speculations: but, sooner or later, the day of reckoning will come; the flimsy fabric will at last totter to its fall; and when this occurs, when the mine at last explodes, then will be seen, from the wide-wasting ruin which takes place, to what an extent commerce has been previously undermined. Numerous and fatal bankruptcies, shaking the commercial world to its centre, will at once dispel the dream of blind confidence in which the most wary have been lulled; and suspicion, starting as from a trance, will cause every man to doubt his neighbour; the banks will contract their credit; and panic, scarcity of money, distrust spreading far and wide, will level with the ground every establishment that does not rest on a basis of real wealth. In the general wreck, capital will be lost to a vast amount; and in many cases even the wealthiest merchants will share in the common ruin. Such, then, is the nature of those calamities; those storms which burst forth in a season of apparent prosperity, and in a moment blight the fairest hopes of commerce; and the immediate cause is the sudden and extensive shifting of property from one hand to another, occasioned either by misplaced confidence or by the alternate rise and depreciation of the national stock to a vast amount. Now, this may overtake any country where credit prevails, and where it is carried to excess, or where doubtful speculations are undertaken. An over-issue of paper is no way essential to the fatal result; it is not a necessary element in the scene of ruin. Money may be lent where it

may be lost, to any amount, without the intervention of paper; and where this takes place, commercial distress will necessarily follow, whether the currency consist of paper or the precious metals.

These views are confirmed by frequent examples of nations given over, for a time, to the spirit of mercantile gambling, and to its unhappy consequences, misery and ruin. It is in the desire of sudden wealth that all those schemes originate. It was this temptation which seduced the wary Scots into the unhappy scheme of a settlement at the isthmus of Darien, in which, deluded by golden dreams, they embarked about £400,000; a large proportion of the national stock which had accumulated during the ten years of peace and prosperity that followed the revolution of 1688. "Almost every one," says Sir Walter Scott in his admirable sketches of Scottish history, "who had or who could command any sum of ready money, embarked it in the Indian and African Company, and subscribed their all; maidens threw in their portions, and widows whatever sums they could raise upon their dower, to be repaid a hundred-fold by the golden shower that was to descend upon the subscribers. Some sold estates to vest the money in the Company's funds; and so eager was the spirit of speculation, that when £800,000 formed the circulating capital, half of that sum was vested in Darien stock." The loss of capital to so great an amount by the failure of this adventure, convulsed the country, which was filled from one end to the other with the wailings and misery of those who were thus suddenly reduced from affluence to poverty. Now, this cala-

mity was produced without the intervention of paper currency; and it very clearly exemplifies the principle that we have endeavoured to explain; as it is of no moment, if the national stock be invested where there is no hope of a return, whether it be in cotton, or in sugar, or in Darien stock.

The Mississippi scheme in France, and the South Sea scheme in England, which occurred in 1719 and 1720, presented an exact counterpart to the Darien scheme, both in their origin and consequences. They took their rise in the superabundance of capital accumulated in both countries during the seven years of prosperity and peace which succeeded the treaty of Utrecht, and by which credit was fostered and the spirit of commercial enterprise. The Mississippi scheme, of which Law was the author, combined an unlimited issue of paper, the infallible specific prescribed by this political quack for the malady of depressed trade, under which France was then labouring, with a vast project of finance and foreign trade, out of which stock-jobbing speculations arose to an unheard-of extent. It was proposed to vest in one great company, to be called the Company of the West, the whole privileges and effects of the other foreign trading companies; the great farms and the general receipt of the public revenues and taxes; the management of the mint and of the bank; and also to grant to the company the whole province of Louisiana, with the monopoly of its trade. By this complicated project, a compound, as it proved to be, of knavery and folly, the national creditors were defrauded; the country inundated with a depreciated currency; and

thousands cajoled to their ruin by extravagant promises of gain, which the projector knew full well he could never fulfil. The French fell blindly into the snare: they were the dupes of their avarice. Countless millions, they appear to have imagined, were to be conjured out of the deserts of Louisiana by the fairy wand of the great state-magician, on whose promises they reposed with boundless faith: for there was no other process by which their golden dreams could be realized. Absurd as was the prevailing frenzy, it infected all classes. The Stock-exchange, where the traffic in shares was carried on, and where the fortune of thousands was set upon a cast, presented a frightful scene of agitation; every avenue to the street where it was held was beset by a dense throng, among whom the anxiety to gain an entrance was so great, that several were crushed to death in the struggle. The price of shares was rapidly raised by this eager competition, from 500 livres, their original amount, or £25, if we estimate 40 livres to the mark, which was the value fixed on it in 1716, though it was afterwards changed, to 10,000 livres, equal to £500; the aggregate value of the whole stock, amounting to 600,000 shares, being thus raised to the enormous sum of 300 millions sterling; though the real worth, the sure level to which, however propped up for a time by fraud and falsehood, they must ultimately fall, was probably not more than one-fourth or one-fifth of that sum. To estimate the net amount of property that was lost and won in the course of these gambling transactions, in which the government, the company, the bank, the

speculators in stock, were alternately the agents and the victims, would be altogether vain. But when we consider the prodigious fall which afterwards took place in the value of the stock, to the amount of probably not less than from 150 or 200 millions sterling, and how often this stock must have been bought and sold among the gamblers of the Stock-exchange, we may form some conception of the vast extent of the sudden revolution in property, and the fearful convulsion which now took place; the greatest, perhaps, that ever occurred in any age or country, and which terminated in the ruin of thousands, and in the utter prostration, for a time, of all commercial credit in France. The evil was farther aggravated by the failure of the bank, and the annihilation of the whole mass of its paper. This paper was first made exchangeable for its value in bullion; afterwards, for a certain number of livres, which were repeatedly reduced by debasement, the unworthy device of a despotic government: it was, besides, greatly depreciated by excess; and it was finally destroyed by the arbitrary decree of the regent lowering its value one-half. The notes that had been issued amounted, at this time, to 2,696,400,000 livres, equal in value to above 100 millions sterling; and the shock which society must have sustained from the previous fall of the stock, and from the subsequent extinction, by a stroke of the pen, of so vast an amount of paper, may be easily imagined. The day after the decree was issued, namely, 23d May, 1720, "A man," says Sir J.

Stewart, "might have starved with £1,000,000 of paper in his pocket.[1]

This scheme was on a much more extensive scale than that of the Scots to the isthmus of Darien; and, to stock-jobbing speculations, it superadded the shameful fraud of a depreciated currency. In principle, however, the one was the exact counterpart of the other, as of all those ruinous investments by which commerce has suffered so deeply in modern times: for if capital be lost, it is of no moment how it has been invested; whether in stock that has lost its value, or in goods; or whether it has been lent out where there is no hope of any return. The South Sea scheme, which was equally fatal to credit and commerce in England, originated also in the increase of capital and of commercial confidence, and in deep speculation, its never-failing consequence. The peculiarly prosperous state of the country at this time, is proved by all concurring accounts. The drain on the national capital being closed by the peace of Utrecht in 1713, it began rapidly to accumulate; so that, in 1717, Sir R. Walpole, taking advantage of the "high state of credit and the low price of money," brought forward his plan for reducing the interest on the national debt from 6 to 5 per cent. The country continued to prosper, and capital to accumulate, until it was with difficulty that it could be employed with profit. This high state of credit, and abundance of money, gave a prodigious impulse to speculation; and there was no scheme, however

[1] Stewart's Principles of Political Economy, chap. xxxi., vol. ii., p. 269. See, also, Wood's Life of Law.

wild and impracticable, that did not find supporters. "The whole nation," says Tindal, in his continuation of Rapin's History, "was become stock-jobbers. The South Sea was like an infectious distemper, which spread itself in an astonishing manner. Every evening produced new projects, which were justly called bubbles; and new companies appeared every day. These were countenanced by the greatest of the nobility. The Prince of Wales was governor of the Welsh copper; the Duke of Chandos, of York buildings; the Duke of Bridgewater formed a company for building houses in London and Westminster. There were nearly a hundred different kinds of projects, or bubbles; and it was computed, that above a million and a half was won and lost by these unwarrantable practices, by which many unwary persons were defrauded and impoverished, and a few crafty men enriched, to the great detriment of domestic trade." Macpherson, in his Annals of Commerce, gives a similar description of the prevailing frenzy.[1] He enumerates above one hundred joint-stock companies embracing mercantile speculations of every description, and many schemes to which the mere name would affix ridicule. It was estimated that, in following out those projects, a capital of £500,000,000 would have been absorbed. To the avidity for commercial enterprise, arising from the increasing plenty of money, this great stock-jobbing speculation, the greatest ever known in this country, and the next to the Mississippi scheme in France, owed its origin, and successful progress.

[1] Annals of Commerce, vol. iii. pp. 89, 90.

The South Sea Company was established in 1711, with a capital of £10,000,000, which was invested in the public funds at an interest of 6, and in 1717 of 5 per cent., amounting to £500,000 annually. The company had the privilege of an exclusive trade to the east coast of America, with the exception of Brazil and the Dutch colonies; and with the west coast from Terra del Fuego northward; which, as Spain rigidly interdicted all intercourse with her colonies, the only civilized portion of Western America, was little else than a trade with savages. With a view of lessening the public burdens, greatly increased by the late French war, it was now proposed that the irredeemable annuities payable to the national creditors should be subscribed into the South Sea Company's stock, and converted into redeemable annuities: that these last should, in like manner, be commuted into the same stock, and a bill for this purpose passed through parliament. The precise advantage of this transaction does not very clearly appear. The public debts would still be the same, whether held by their original owners, or converted into South Sea stock. There is only one process by which debt can be either extinguished or diminished. There is no royal road to its payment; and Macpherson,[1] alluding to the Mississippi scheme, justly blames the British parliament for copying after such an example; "for approaching too near, though not intentionally, to such unjust and visionary schemes for lessening the British national debt, by listening to the proposals of crafty projectors, calculated for

[1] Annals of Commerce, vol. iii. p. 76.

deceiving and hoodwinking the proprietors of those debts, by altering or changing the names, shape, and position of them, too much resembling what is vulgarly called sleight-of-hand, rather than for any solid lessening of those encumbrances: as if any other method whatever, consistently with national justice and honour, could lessen our encumbrances, but a clear and inviolable sinking fund, the consequence of frugal savings from the reduction of interest."[1] No sooner were the Company's books opened for subscriptions, either in the government annuities or in money, than all the passages to the Stock-exchange were choked up by deluded multitudes eager to purchase. South Sea stock rose, in consequence, from £100 to £300, £400, £800, and £1000 per cent. The frenzy that prevailed can hardly be understood in succeeding times; all classes indulged in dreams of imaginary wealth, from which many only wakened to the reality of utter ruin. They were the dupes of their avarice; though we can hardly conceive from what sources they anticipated their enormous gains; unless, indeed, they gave the directors credit for the discovery of some fairy treasure. The shameful fraud of declaring a dividend on the company's stock at Christmas 1720, of 30 per cent., and a subsequent dividend for twelve years of 50 per cent., deceived many. They swallowed the bait artfully thrown out, and were ensnared to their ruin.

When parliament interfered to distribute equally among the subscribers the capital really possessed by the Company, amounting, in 1720, to £37,800,000;

[1] Annals of Commerce, vol. iii. p. 76.

and if £13,300,000 be deducted, which belonged to the original proprietors in their corporate capacity, to £25,500,000,—it afforded to each £33, 6s. 8d., afterwards increased, by an additional two millions, to £39, 1s. 8d. When it is considered that a portion of this stock was purchased at from ten to five times, and the remainder at more than double its original value; that, in the ardour of speculation, it was sold and resold, how often cannot be known; the vast extent of property which must have shifted hands in the course of these transactions, can hardly be estimated. If we suppose, however, the whole stock of £25,500,000 to have been only once bought, at 500 per cent., it must have been raised beyond its real worth above 100 millions sterling; and the property lost and won in other joint-stock schemes for which money was subscribed, may be computed at about half that sum. If this estimate be anything near the truth, we may easily conceive what a devastation must have been occasioned by the overflowing and subsequent ebbing of so vast a flood of capital in all the channels of trade; and accordingly the wide-spread misery which followed; the general shock to credit; the universal panic that succeeded to the former high state of commercial confidence, presented a scene of distress without a parallel in any former era of English commerce. The causes here are obviously the same as in the former cases of the Darien and Mississippi schemes. The limited circulation of paper by the Bank of England, which had not been long established, could not possibly have occasioned so fearful a convulsion; and the demand for specie

which took place, was on the most eminent goldsmiths, the chief bankers in those days of metallic currency; many of whom, not having sufficient funds, were forced to shut their shops and abscond. The fact of the goldsmiths acting as bankers, and holding deposits of money, sufficiently indicates the limited circulation of the paper.

The commercial crisis experienced in 1793, arose, like all the others which preceded it, in a season of prosperity and peace, when capital was abundant and the rate of interest low; 3 per cent. stock having risen to 97⅝; and it was marked by panic, commercial distress, an extreme scarcity of money, and by frequent bankruptcies even among the wealthiest merchants. In the country, the banks, from the discredit of their paper, were exposed to alarming demands for specie; and several opulent establishments, applying in their distress to the Bank of England, were refused the accommodation which they required. Important failures ensued to the number, in five months, from March to July 1793, of between seven and eight hundred, including about a hundred banks. In the distress which prevailed, a judicious and healing measure was resorted to. A loan of exchequer bills, to the amount of £5,000,000 if required, was, by the authority of Parliament, directed to be offered to as many merchants giving proper security as should apply. This seasonable accommodation was attended with the best effects. It supplied the want of money, which was one great cause of embarrassment, and was followed by the speedy restoration of commercial confidence, and by

an increased abundance of cash in the metropolis, and in the country at large.

In the course of the long war which was begun in 1793, the commerce of the country was exposed to many rude shocks, under which it suffered severely. But the fatal effects were here produced not by the abuse of capital, but by external violence. The commerce of Britain was excluded, during the latter years of the war, from its accustomed markets, by the hostile decrees of France. It had expanded over the wide extent of the habitable globe, and it was suddenly pent up by unnatural violence within the narrow precincts of its own territory. The manufacturers, having no outlet for their goods, were in many cases ruined, and their workmen consigned to idleness and misery. To this cause may be traced the commercial distresses which were experienced towards the conclusion of the war; and several years elapsed before the trade of Britain recovered from the severe distress which it suffered from the hostility of her powerful enemy.

In 1825, commerce was again overtaken by one of those signal disasters which occur in a season of prosperity and peace, and which, in their destructive effects, rival the calamities of war. At this time, as in 1720, ten years of successful industry had fully repaired the waste of the national stock which the French war had occasioned. Money had become abundant; the banks overflowed with deposits; the rate of interest fell from 5, to 4 and 3 per cent.; the ardour of speculation was fostered, and every encouragement was given to hazardous adventures

in trade. Every day brought forth some new scheme for the employment of capital. In foreign mining and in foreign loans, the sums invested amounted to between £30,000,000 and £40,000,000. In domestic improvement, such as canals, railroads, &c., capital was flowing away unperceived, and through various other channels. No wholesale scheme of delusion—such as the Darien, the Mississippi, or the South Sea scheme—was held out to ensnare the unwary; but the result was precisely the same. From the difficulty of investment, capital was employed in a variety of visionary and fatal projects. A scarcity of money began to be experienced in consequence, and the rate of interest to rise; a premonitory symptom of the approaching catastrophe: the banks caught the alarm, and contracted their discounts; bankruptcies ensued from this cause, and from the loss of capital in rash speculations; and the usual effects followed of panic—a general distrust among mercantile men; a run upon the banks for specie; and a stagnation and deadness in all branches of industry, of late so flourishing. The misery and starvation of disbanded workmen throughout the manufacturing districts, completed the gloomy picture.

Such were the fatal consequences of this catastrophe, originating evidently in the same spirit of rash speculation which was the cause of all the previous disasters. The unprecedented excess of goods imported in the year 1825, which will appear from the subjoined account, plainly points out this as the cause of this memorable calamity:—

Average import in the three years preceding 1825, of

			In 1825.
Wool,	24,341,076	lbs.	38,703,682
Cotton wool,	161,206,711	„	222,457,616
Indigo,	5,077,878	„	7,530,534
Square timber,	551,496	loads	664,186
Thrown silk,	404,423	lbs.	800,501
Raw silk,	2,608,527	„	3,431,172

In wine and tallow, and other articles, the imports were increased at a similar rate. Such prodigal supplies of goods were not required to supply the consumption of the country; they were purchased on speculation, at high prices; and it was the great losses incurred on this vast stock of imported as well as manufactured goods, by the fall of prices from the height to which they had been buoyed up, that occasioned the shock, and all the embarrassments which followed. The evil was not an excess of paper, but of capital, as in 1720, when there was hardly any paper in circulation, and which, seeking a safe haven wherein to enter, and not finding it, was wrecked on the rocks and shoals of desperate adventure; and if capital be lost, it matters little, as has been already stated, whether it be in the purchase of South Sea stock, or of cotton, sugar, or other goods.

It might have been expected that mercantile men would have avoided, for some time to come, the fatal snare into which they had so lately fallen. But they failed to profit by dear-bought experience; and in 1835 they embarked in their former course of ruinous adventure, and were again involved in the same calamities as in 1825, arising also from the same causes. In 1829 and 1830, trade began to recover from the

severe reverses under which it had lately suffered, and capital to accumulate; advertisements which daily appeared of absurd projects by joint-stock companies, denoted that the spirit of speculation, which was the cause of the former calamity, was again at work. In due time the evil broke out, with all the usual consequences of bankruptcy, panic, distrust, and stagnation of industry; and America and Britain being now more closely connected by the improved facilities of communication that had been established between them, were at once involved in this new calamity. The mercantile body in both countries was agitated by one simultaneous shock. In the United States, the spirit of mercantile adventure had been carried to an unheard-of excess. British goods had been imported far beyond the wants of the consumers. The imports had increased rapidly in value for several years past, from 70,876,920 dollars in 1830, to 149,895,742 and 189,980,035 dollars in 1835 and 1836; and in the home trade speculation had still farther outstript all the rules of prudence. The sales of the public lands were increased from 5,000,000 of dollars, the amount in 1833, to 25,000,000 in 1836. Vast sums, estimated to amount to 95,000,000 of dollars, mostly borrowed or in paper, were laid out by cities, corporations, and merchants, on canals, railroads, on savings, insurance, and other companies, or on banks: also on wild lands, as well as on lands around the different cities and villages; and on town-buildings, and on other rash improvements.[1] An immense structure was thus raised

[1] Report to the Missouri General Assembly. Documents laid before Congress, No. 227, p. 605.

up, as usual, on a slender basis: there was a fair show of outward prosperity, though all within being false and hollow, the foundation was too surely laid of future and extensive ruin; and when the system broke down at last, a scene of commercial distress ensued which is without a parallel in any former time. It was in Great Britain that the alarm commenced, where credit had also been carried to a great excess. The Bank of England rejected the bills of those merchants in London who had embarked in American speculations; and they, in consequence, called for the payment of their debts in the United States. The Treasury order, in the meantime, issued by the President on the 11th July, 1836, ordering that specie only should be received in payment of the public lands, hastened on the crisis of which the foundation was already laid.[1] Those who had run riot in speculation were now called upon to pay the reckoning, and they had no funds. "The failure of the debtors to meet their engagements," it is observed in the Report already referred to, "was followed by the refusal of the banks to pay their obligations; and a general depreciation of the currency was the result, bearing in its train universal distrust, heavy sacrifices of property, and general embarrassment." By this frightful convulsion, which, like the great Mississippi scheme, combined with ruinous speculations the shameful fraud of a depreciated currency, the whole frame of American commerce was at once paralyzed; all commercial confidence was extinguished; and embarrassment, panic, and a

[1] Report to the Missouri General Assembly, No. 227, p. 604.

frightful scarcity of money pervaded the wide extent of the Union.

The American merchants were largely indebted to this country for the goods which they had imported; and their inability to pay increased the commercial distress in Britain. It was chiefly occasioned, however, by the ruinous speculations in which her own traders, in the high state of confidence which prevailed, had invested their own overflowing capital. The subsequent stagnation of trade, and of every description of industry, gave rise to unheard-of scenes of distress and misery among the working classes in this country; and however obvious the causes of the original disaster, the long-continued deadness of trade, without any symptoms of revival until about the year 1843, does not admit of so clear an explanation; and it may be, therefore, suggested, 1st, Whether from the ties of confidence and credit being more widely extended with the improved communications between distant parts, the fabric of speculation reared up to a greater height, may not occasion, in its fall, more extensive ruin, and a longer period of distress; 2d, Whether the manufactures of Britain, conducted on a larger scale, and traversing the habitable globe in search of a market, a greater surplus may not be, in this manner, accumulated on speculation, and a longer time required to clear off this vast amount of unsaleable goods, and to reunite, as before, the broken relations of commerce; 3d, Whether, from the wonderfully ingenious machinery now adopted, the produce of industry may not exceed the consumption; and whether the intervals of depression may not in con-

sequence be of longer duration than those periods of prosperity which they appear periodically to succeed; and, finally, whether the impolitic restrictions on trade persisted in by this country, in opposition to her plain interest, and retaliated on her own trade, may not have at last contracted the foreign market, and reduced the demand for her manufactures. These points, which are at present doubtful, may be more clearly resolved by time and experience; and to those unerring results it is safer perhaps to trust, than to theories which events so frequently disprove.

Such appear to be the chief causes of those disasters which commerce has of late years experienced in this and in other countries. The other causes to which, as already stated, they have been ascribed, are, 1st, the sudden expansion of the paper circulation by the Bank of England and the country banks; the rise of prices thereby occasioned either from depreciation in consequence of over-issue, or from the supposed stimulus given by large issues of paper to commerce and to speculation; and, 2d, the subsequent contraction of its currency by the bank, which produced effects entirely the reverse; namely, a deadness and stagnation of industry in all its branches, and that great fall of prices which, in 1825 and 1835, occasioned such heavy losses to those merchants who had speculated largely in the purchase of goods.[1] This is the theory that is chiefly current among mercantile men, which, also, the Select Committee of 1832, and of

[1] See Report of the Committee of Secrecy on the Bank of England's Charter, Appendix, p. 485. Evidence of John Easthope, Esq., pars. 5968, 5969.

1840 and 1841, from the general tenor of their questions to the witnesses, whose evidence they received, appear to have adopted. How far these views are just, it will now be proper briefly to consider.

I. An alternate rise and fall of prices is an evil incident to all mercantile convulsions, which have their origin in over-trading; and it has been already pointed out in what manner large purchases of goods, at a high price, and on speculation, to be stored up in the expectation of a still higher price, must inevitably lead to a subsequent fall, and to wide-spread commercial ruin. The loss on this account to the holders of goods, in 1836 and 1837, is estimated, rather vaguely no doubt, in a Report by the Chamber of Commerce in Manchester, at £40,000,000.[1] Property to so great an amount, or nearly so, could not have changed hands, without giving a serious shock to trade. But with whatever evils this alternate rise and fall of prices was followed, there was evidently no inordinate issue of paper, and no fall consequently in its value, to bring it about. Paper never appears to have varied from its standard during the commercial disasters of 1825 and 1835. The price of gold, when purchased with paper, is an infallible test of its value; and its price never rose above the standard of £3, 17s. 6d., or £3, 17s. 10d. an ounce. Paper, therefore, maintaining its value, could not have been issued in excess, by which its

[1] See Minutes of Evidence before the Select Committee on Banks of Issue, p. 3. par. 16.

value would have been lowered. The steadiness of its value proves that there was no over-issue.

II. No impulse can be given to commerce by large issues of paper, of which the excess will always cause a proportional loss of value. Neither the Bank of England, nor any other bank, can, by increasing the circulation, impress that movement on commerce which can only be derived from an accession of real capital. This was the error of the projector Law, who proposed to enrich a nation by an unlimited issue of paper; of which he did not consider, that he diminished the value exactly as he increased the quantity. Money, no doubt, forms a part of the national stock; but as it loses its value in proportion as it is increased without a corresponding increase of business, we can never in this manner augment the real capital of the country. If we suppose the currency to amount to 50,000,000 of sovereigns, and to be suddenly doubled, the extent of commerce still continuing the same, two sovereigns having then to do the duty of one sovereign, would fall one half in value, and the aggregate value of the whole would still remain the same. It was no increase in the issue of paper—it was an increase of capital, a real accumulation of the produce of land and labour—which gave rise to the over-trading and subsequent disasters of 1825 and 1835. A bank which does not pay in specie may inundate a country with its paper; but it will not thereby increase the value of the currency, whatever other evils it may produce; nor will it give any impulse to commercial enterprise. No over-trading can possibly be the

consequence of this nominal increase in the currency, no more than if ten millions of sovereigns were divided into two, and the half being called equal to the whole, the currency was then said to be increased to double its former amount. After the bank was released, in 1797, from its obligation to pay in specie, its circulation was increased from twelve millions, its amount in 1798, to twenty-five, twenty-six, and twenty-eight millions in 1817, without giving any undue stimulus to commerce, or occasioning any such panics or sudden shocks as occurred afterwards in 1825 and 1835. Commerce was not, indeed, flourishing. There was little demand for the produce of industry: the warehouses of the merchants overflowed with goods, for which there was no outlet; and the South American markets, when they were open to the trade of Europe, were accordingly inundated with an over-supply of British manufactures, which was followed by a ruinous fall of prices, and by numerous bankruptcies. About the year 1810 and 1811, this was the chief cause of the commercial embarrassments which prevailed. The violent proscription of the British trade on the Continent, the desolations of war, and the subsequent transition to a state of peace, occasioned the commercial distress and stagnation of industry which followed, and which continued for several years after the termination of the French war. In 1814, 1815, and 1816, numerous failures took place among the English banks, occasioned by their limitation to six partners, and their proportionally small capital, which gave rise to local alarms and to great derangement and

distress. But there was no such general panic, or subversion of credit and confidence, as afterwards occurred in 1825 and 1835 during a season of prosperity and profound peace; though the same causes had been in operation to which those disasters were afterwards ascribed, namely, a decided over-issue, and a subsequent contraction of paper by the banks.

It would be a serious objection to the introduction of paper, as a substitute for specie, if there existed no more certain standard of its value than the discretion of bankers; and if they would thereby obtain a control over all prices, and over the whole commerce of the country. But if we consider, with any attention, the nature of their business, it will be seen that their power is confined within much safer limits. It is through their agency that the growing capital of a prosperous community finds its way from the lender to the borrower, and finally overflows into all the channels of trade. The bankers are the agents between the two parties; it is through the medium of their paper that the transaction is effected; which, if they were to refuse, some other mode would be devised for carrying on the business of the country, —for conveying capital from the lender, to whom it is superfluous, to the borrower, who is in want of it. In this transaction, the banker has no direct concern; he only facilitates the business which he cannot stop. He is merely the carrier who conveys the capital from the one party to the other; he does not create the capital; it is already accumulated; and through his agency, finds its way from those who have

to those who want it. To this extent, and no further, are the banks concerned in these transactions; and the abuse which has been cast upon them, and especially on the Bank of England, as having occasioned, by their rash issues of paper, those calamities under which commerce has suffered so deeply, is neither borne out by sound reason, nor by any conclusive facts. When commerce prospers and when capital overflows, the banks lend it out more freely and readily than when it is scarce; and this seems to be the amount of their delinquency, the head and front of their offending. But it is not the issue of their paper which causes this abundance; nor, when capital accumulates, as it does in every prosperous community, have they the power of checking the spirit of rash speculation which it produces, or the extensive ruin which finally ensues: the convulsions which occasionally lay waste credit and commerce, are as little under the control of the banks as the rage of the elements. They themselves are swept away in the overflowing tide of capital which sets in; and, when the mischief breaks out, are tossed about on the agitated sea of domestic alarm, with scarcely the power of saving themselves, far less of directing the storm. Those who so heavily blame them, and ascribe the mercantile distress which takes place, to their greater readiness to lend, and their profuse issues of paper, fall into the common error of mistaking the effect for the cause.

The circulation of the Bank of England, as of all the other banks, will necessarily vary with the necessities of commerce; with every increase or de-

crease in the cash transactions of the country; as also, with a quicker or a slower rate of circulation. In a season of mercantile distrust, money does not circulate so quickly as when confidence prevails; it is not so readily parted with, being retained for unforeseen emergencies; and, in this case, a larger supply will be required to carry on the same extent of commerce. The amount of currency, therefore, whether consisting of paper or of the precious metals, that will circulate in any country, and which, by whatever means, must be obtained, will be determined by the extent and general course of trade, and not by the discretion of any banker. Of all the specious theories which have been laid down for regulating the paper circulation of the country, it is remarkable how few have ever been reduced to practice. Commerce, and all the other great concerns of society, are far too irregular and eccentric in their movements to admit the application of theoretic rules; and the banks are compelled, whatever maxims they may previously lay down, to conform, in regulating their circulation, to the emergencies of trade as they arise. Neither the Bank of England nor any other bank possess an arbitrary control over the currency. They can neither, by diminishing or increasing it according to their discretion, raise or depress its value, and thus affect the general price of commodities. From the evidence of practical men, given before the parliamentary committees, it appears, that the bankers are controlled in their management more by the force of circumstances than by fixed rules. As men of business and sound discretion,

they seldom refuse to commerce the necessary supply of currency which is required. It is not the practice of any banker to reject good bills, or any other transaction which is safe and profitable: and hence it will be found, that the directors of the Bank of England, in regulating their issues, never exercised that control over the currency, and still less over the commerce of the country and the price of commodities, which has been ascribed to them; that it is not by their discretion that the amount of the circulation is determined, but by the demands of commerce.[1] No greater quantity can at any time be circulated than commerce requires. When it is convertible into specie, the excess will in this case

See the Evidence of Mr J. B. Richards, Deputy-governor of the Bank of England in 1825; more particularly his reply to question 4973, as follows:—

"It has been stated to the committee that the principle on which the Bank now conducts its affairs, is to keep the amount of its securities as even as possible; was that the principle upon which the bank acted previously to 1825? Answer.—As far as I know, that steadiness and evenness of conduct has always been one of the first principles of the Bank; but it has, and ever will be controlled, I fear, by circumstances which neither the Bank, the government, nor any set of individuals, can strictly control. I know the power is great, and it can be exercised, but it may endanger the country; and if I may take the liberty of saying, were we to have two or three years of bad harvests, and the food of the people depended on the importation of corn, and we were obliged to get the corn, cost what it would, I do not quite see the way in which that principle could be effectually maintained, without placing the country upon the verge of the greatest possible difficulties." See, also, the conclusive evidence of Mr Gilbart, manager of the London and Westminster Bank, on this point. Second Report of the Committee on Banks of Issue, (1841,) question 1043 to 1056.

be immediately returned on the bank which issues it; and where it is not so convertible, it will fall proportionally in value, as has been already explained. Abstract rules may be laid down for the regulation of the currency; but these will be over-ruled by circumstances to which the directors of the bank, in the exercise of a sound discretion, will in practice be compelled to conform.

Those views are strengthened by the evidence of the different bankers and money-dealers which was given before the Select Committee, and which throws great light on the principles that regulate the currency. From the facts stated by those dealers, it appears that the circulation of the country ebbs and flows with the state of business in its different districts. In London this alternate increase and decrease in the currency takes place four times in the year: it increases with the payment of the quarterly dividends on stock, and gradually declines till the ensuing quarter comes round, when a larger issue necessarily takes place.[1] The circulation of the country at large is regulated by the same rule, namely, the extent of the business which it has to perform; and accordingly, it is found that in Scotland it uniformly increases at the two terms of Whitsunday and Martinmas, when large sums are required for the payment of rents, interest on loans, and other cash transactions, which are settled at that time. The evidence of the English bankers confirms and illustrates more fully the same principle, namely, that the circulation necessarily expands and contracts with the demands

[1] See Minutes of Evidence before Select Committee on Banks of Issue, 1841; Evidence of J. W. Gilbart, Esq., p. 81.

of commerce; that it increases and decreases periodically with the varying transactions of the district.[1] Those bankers uniformly replied to questions, Whether they regulated their issues by the state of the foreign exchanges or the amount of bullion in the Bank of England, that those causes did not affect their circulation,—and steadily adhered, notwithstanding the cross-questioning of the Committee, to their original views, namely, that they had no power either to contract or increase the circulation: its amount being determined by the local transactions of the district. Mr Hobhouse, the banker at Bath, whose evidence is remarkably clear and conclusive, replied, that as he could not manage to pay £100 with £90, no more could he reduce the circulation under the just level of commerce and its necessary demands.[2]

[1] See, particularly on this point, the evidence of Mr Hobhouse, banker at Bath. The circulation in the agricultural districts (he states) "decreases half a million regularly every year from the spring to the summer quarter, and it expands again by degrees towards autumn and Christmas; but universally the period of decrease is always in those two quarters, from the spring to the summer quarter; and the average is, as near as possible, half a million every year, as shown by those returns. That fact abundantly proves my position, namely, that the circulation depends entirely upon the amount of local traffic going on; for, in the spring quarter, the payments are much heavier than they are in the summer quarter. I think the rents are principally paid between Lady-day and the summer quarter; taxes are paid at that time, and all the farmers are laying in their stock at that time. The consequence is, as a matter of course, that more money is required to carry on those dealings; at least, I should submit, that a person would be very clever who could carry them on with the same amount of money."

[2] See Second Report on Banks of Issue, 1841; Evidence of H. W. H. Hobhouse, Vincent Stuckey, W. Rodwell, Esqs. The Com-

The opinions of those bankers appear to be sound and practical; the result of experience, and not of vague theories reared up on rash inferences from doubtful facts. It will accordingly be found that,

mittee sometimes cross-questioned the witnesses in a manner not particularly calculated to elicit useful information, but rather to perplex their evidence. When a difference of opinion occurred on some speculative matter, as in this case, they entered into a species of disputation with the witnesses, as if they had met for the debate of doubtful points, rather than for the collection of useful facts, the materials of science. The witnesses no doubt frequently brought forward rash and ill-considered theories. But it was not the business of the Committee to convict them of error, and thus to lengthen out an inquiry into facts by speculative discussions, which were here out of place. Mr Hobhouse, however, maintained his opinions, which by every successive question were only drawn out more clearly than before. "I should define (he observed) the circulation indicated in these county returns to be the amount of money demanded and used by the people for their ordinary local dealings, as far as they are conducted in such currency; and hence I should affirm, that the amount of the ordinary local dealing and expenditure is the principle that at any and at all times limits and determines the amount of those various circulations. Whatever increases the expenditure increases the circulation, and *vice versa*. Therefore the country bankers are perfectly passive in the matter; no competition on their part can increase the circulation beyond this amount; no artificial management can reduce it under this amount. You may vary the quality of the circulation in any district as much as you like, but not the quantity of it: that is my position. You might suppress our notes; but the vacuum so occasioned would be filled up by Bank of England notes, or by coin, or in some other way. It is laid down by Mr M'Culloch, who is a very great authority upon these matters, —at least, he has quoted it from a great writer, Sir Dudley North, upon the subject,—'A people will not want money to serve their ordinary dealing, and more than enough they will not have;' or, in other words, the natural demand of the people for money to serve their ordinary dealings, is the controlling principle of those country local circulations, as these returns abundantly prove."

regardless of speculative maxims, the bank has always been compelled to follow, in its transactions, the varying course of trade.

Mr Horsley Palmer, in his evidence before the Select Committee, lays down the following rule for regulating the circulation; namely, that when the exchange is at par, the Bank should, excepting under special circumstances, so regulate its issues as "to retain an investment in securities bearing interest to the extent of two-thirds of its liabilities, the remaining one-third being held in bullion or in coin."[1] The principle, however, here laid down by Mr Palmer is lost in the exceptions by which it is qualified. It is only, he states, when the exchange is at par that it can be carried into effect. There are, besides, other "special circumstances" which prevent its observance; and by those, and not by the rule laid down, it appears that the currency has been regulated since 1832: for out of eight years, from that time to 1840, there are not above three, namely, the last half of 1832, the year 1833, and 1838, in which

[1] The following is Mr Palmer's explanation of this principle in his evidence before the Committee of 1832:—

"The principle, with reference to the period of a full currency, and consequently a par of exchange, by which the Bank is guided in the regulation of their issues, (excepting under special circumstances,) is to invest and retain in securities bearing interest, a given proportion of the deposits and the value received for the notes in circulation, the remainder being held in coin and bullion; the proportions which seem to be desirable, under existing circumstances, may be stated at about two-thirds in securities, and one-third in bullion; the circulation of the country, so far as the same may depend on the Bank, being subsequently regulated by the foreign exchanges."

the rule of Mr Palmer has been observed. In general, the securities and the bullion varied widely in reference to the liabilities from this, or from any other rule; the former being sometimes equal to, sometimes exceeding the liabilities, and almost always more than two-thirds; while the latter, in place of being one-third, generally varied between a fourth and an eleventh part: and thus we find all those abstract maxims, as already observed, giving way before the practical emergencies of business. The Bank has been blamed for not restricting its circulation the moment the drain of specie was observed, which preceded the panics of 1825 and of 1835. But no restriction of its currency by the Bank, whatever embarrassments it might have occasioned, nor any rise in the rate of interest, which was also suggested as a necessary precaution, would have averted the disasters that were impending. The overflowing capital in which they originated, if its holders did not want it, must have been lent out to others. No efforts of the Bank could have prevented it from finding its way from the lender to the borrower, and setting afloat all the rash speculations of that disastrous period. If one channel had been choked up, another would have been opened; if the bank had refused to lend, it would have been obtained from others; capital once accumulated, would, by some means or other, have found its way into the money market. No power of the Bank could have arrested the swelling stream. As the contraction of the currency, however, is the usual specific of theorists for the evil of undue speculation, of an unfavourable exchange, or of a drain of bullion on

the Bank, it may not be out of place here to consider shortly how far this is the proper course for the Bank to pursue.

It has already been explained, that as commercial embarrassments are not caused by the undue expansion of the currency, no more would they be prevented by its forced contraction; and with regard to an adverse exchange from an unfavourable balance of trade, it will gradually be corrected without the interference of the Bank by the exportation of goods or specie. Great Britain is a vast emporium of commerce and of industry, to which, as to a common centre, the cash transactions of the commercial world naturally converge.[1] Its great capital and improved industry, draw from every region the rude produce of the soil. Cotton-wool, sheep's-wool, hemp, flax, and numerous other products, the materials of industry, flow into the country from different quarters; and being re-exported in a manufactured state, not only repay the original cost, but constitute a debt against those states to which they are sent, and turn the exchange in favour of Britain. But this ordinary course of trade is occasionally reversed, and the balance of debt turned against Britain, by large importations of corn, or goods as in 1824 and 1825, by foreign loans and other transactions, which run counter to the

[1] See Minutes of Evidence, &c. Question 4799; Evidence of N. M. Rothschild, Esq.: "This country is in general the bank for the whole world; I mean, that all transactions in India, in China, in Germany, in Russia, and in the whole world, are all guided here, and settled through this country: so that it is not possible for any power to guide the exchanges for so long as two or three months."

general course of commerce, and require to be settled by remittances either of specie or of goods.[1] The Bank of England has occasionally interfered to rectify the exchanges by supplying the money market of London with foreign bills, when they were deficient, and sending abroad specie for their discharge. In 1832, it is stated by Mr Palmer,[2] that silver coin, to the amount of one million sterling, was converted into bullion, and exported to Paris, on which bills were drawn for the amount. In 1836, bills of credit were, in like manner, drawn on Paris, to the amount of between £400,000 and £500,000, generally at three months, and were provided for by the Bank of England, when they became due; and in 1839, between May and June, and between July and October, bills to the still larger amount of £2,900,000 were drawn on Paris, also on Amsterdam and Hamburg; they were negotiated through the Bank of Paris, and were finally provided for by remittances of gold or silver, and by bills of exchange purchased by the Bank of England. In this manner, rather than by a forced contraction of the currency, has the Bank given an impulse to the exchanges; though, in the end, the transactions of 1839 appear to have limited the circulation; the bills drawn from Paris on London being paid, when they became due, in Bank of England notes, which were

[1] See Minutes of Evidence before the Committee on the Bank of England Charter; Evidence of M. N. Rothschild, Esq. Question 4759, &c., 4858, 4851, 4866.

[2] See Minutes of Evidence before the Select Committee on Banks of Issue, Question 1443, 1446.

consequently withdrawn from the circle. Mr Palmer seems to be of opinion that there was no other mode of reducing the issues of the Bank, and checking the drain of bullion which took place in 1839, than by the expedient of those foreign bills, though he does not clearly explain why the sale of securities would not have produced the same effect, in limiting the outstanding notes. The reason which he gives, namely, that the effect of selling securities to diminish these notes, would have been counteracted by the demand for discounts, which continued unabated, though the rate of interest had been raised in May to 5, and in the following June and September to 5½ and 6 per cent. applies equally to the falling in of the foreign bills. The circulation must have been equally diminished by the paying in of the notes, whether in return for securities sold, or for those bills. But the notes once returned, might, in either case, have been re-issued in discounts, and the circulation maintained at its former amount. The reason here given by Mr Palmer is equally conclusive against either of those expedients for reducing the circulation. His explanation, however, seems to confirm the views previously given on this subject; namely, that the Bank do not possess that control over the circulation which is supposed. He states, in substance, and his authority will not readily be disputed, that the Bank having raised the rate of interest to 5, 5½, and 6 per cent., had no farther power over its issues; and that, though they might have been reduced by the sale of securities, the currency thus withdrawn, must have been immediately re-issued in mercantile discounts:

so, that in this, as in all former cases, the transactions of the Bank are still controlled by the necessities of trade.[1]

From the history and transactions of the Bank since the resumption of cash payments, it does not appear that the circulation has been often restricted, in order to check the drain of gold. Its currency has not fluctuated with the alternate increase or decrease of its treasure, as will appear from the subjoined sketch of its transactions.[2] In 1822, the amount of bullion in the Bank in February, was £11,057,150, and in August £10,097,960; and the circulation £18,665,350, and £17,464,790. On the 31st August 1825, the treasure had declined to £3,364,320, and the circulation had increased to £19,398,840. In 1829, the Bank experienced a drain of its cash, which, on the

[1] From the following question put to the witness, the same impression seems to have been made on Mr Wood, the Chairman of the Select Committee on Banks of Issue:—"If, in your opinion, the sale of other securities would have produced no effect whatever in reducing the amount of circulation, and raising the rate of interest were inexpedient, were not the Bank, in the early part of 1839, left without any principle for limiting the amount of their issues, except the demand of the public for discounts?" Minutes of Evidence, Question 1427. The conclusion seems directly to follow from Mr Palmer's statement; and in his answer, which is not quite clear, he admits that the latter measure, namely, the drawing of bills from Paris, "was virtually the same as the temporary sale of securities to the extent of the credit used." This sale of securities he considers, however, would have been rendered nugatory in decreasing the circulation from the continued demand for discounts, which he does not seem to be of opinion that it would have been safe for the Bank to have refused.

[2] See Appendix to the different Reports of the Parliamentary Committees on the subject.

30th August 1828, amounted to £10,498,000, with a circulation of £21,357,510; and was reduced in February and August 1829, to £6,795,530, with a circulation of £19,870,850; and in the following February 1830, the gold had increased to £9,171,000, with a circulation of £20,050,730. In 1831 and 1832, gold flowed into the Bank, and the circulation rather appears to have fallen off with this influx of treasure. The following is the relative amount of the bullion and the circulation at different periods:—

	Bullion.	Circulation.
1832, 29th February,	£5,293,000	£18,051,000
„ 25th September,	8,134,000	17,202,000
„ 24th December,	9,853,000	16,708,000
1833, 25th June,	11,454,000	18,531,000
„ 23d July,	11,044,000	20,687,000
„ 31st December,	11,200,000	17,469,000

In 1834, the Bank was exposed to a drain of specie. The bullion amounted in January, to £10,142,000, with a circulation of £17,422,000; and was gradually reduced in May of that year to £8,485,000, with a circulation of £18,326,000; on 18th May 1835, to £5,951,000, with a circulation of £18,775,000; in 1836 the drain still continued; and the following is the relative state of the bullion and the circulation during the latter part of this and the beginning of the following year:—

	Bullion.	Circulation.
1836, 10th October,	£4,729,000	£18,247,000
„ 22d November,	3,937,000	17,401,000
„ 27th December,	4,229,000	16,770,000
1837, 31st January,	3,833,000	19,037,000

During the year 1838 bullion flowed into the Bank; and the following is an account of its circulation and its treasure:—

	Bullion.	Circulation.
27th February,.......	£10,471,000...........	£18,975,000
31st July,............	9,517,000...........	20,417,000
24th December,......	9,794,000...........	17,449,000

The year 1839 was one of severe commercial pressure; and the Bank was exposed to a heavy drain of specie, so that its stock was reduced on 27th August to £2,420,000. This drain is ascribed by Mr H. Palmer—a great authority on this subject—to three causes: 1st, To the very large amount of American securities that were sold, and for which credit was given in the year 1838 and to February 1839, which increased considerably the amount of bills on London in the foreign market; 2d, To the unprecedented purchases of corn in the continental ports towards the end of 1838 and 1839; and, 3d, To the doubts that prevailed on the Continent, after May and June 1839, of the ability of the Bank to continue payments in specie, and the transmission in consequence of all long-dated bills for discount in this country, and the return of their value in gold, besides the withdrawing of money that had been deposited in Britain.[1] The causes here assigned by Mr Palmer are quite sufficient to account for the drain of specie to which the Bank was exposed; and it appears that discredit abroad, the most dangerous of all, was combined with

[1] See Appendix to Report of Committee; Evidence of H. Palmer. Question 1362.

an unfavourable exchange. The treasure in the Bank declined from £9,794,000, its amount in December 1838, to £2,420,000 in August 1839; the large sum of £7,374,000 having been lost in the course of eight months. So rapid a drain could scarcely have taken place unless discredit had been added to an unfavourable exchange. The circulation of the Bank, which amounted, when its cash was at the lowest, in August to £17,982,000, was reduced, by means of the foreign bills already mentioned, to between £16,000,000 and £17,000,000, and occasionally between £15,000,000 and £16,000,000. The exchanges turning in favour of this country, treasure began to flow slowly into the Bank in the year 1840, and still more freely in 1841 and 1842, until it increased to between £10,000,000 and £11,000,000; and has since risen to the enormous amount of £14,993,000. It may be doubted, however, whether it is not the safer policy, in place of contracting the circulation in order to correct an unfavourable exchange, to allow this irregularity to correct itself, either by an exportation of specie or of goods, to which it gives encouragement.[1] The cause of an adverse exchange is the debt which one country owes to another, and the true mode of correcting it is by its discharge. It does not seem necessary for this purpose to contract the currency in the indebted country, which may be hazardous to commercial credit; more especially when, with an unfavourable exchange, may be combined, as in 1839,

[1] See Report on Banks of Issue; Evidence of J. W. Gilbart, Esq. Question 957 *et seq.*

any degree of alarm. Mr Thornton, who was a director of the Bank in 1797, gives his opinion, in his well-known work on currency, that the Bank should be liberal in its accommodation in cases of commercial distress; and that its issues should rather be increased than diminished. A certain amount of currency is essential to the punctuality of commercial payments; and if, when money is scarce and trade stagnates, it is farther embarrassed by a diminished circulation, a panic may break out, and the drain from an adverse exchange—which, ebbing away with a gentle current is not dangerous—may be converted into the rapid drain from domestic alarm; which, with however small a number of outstanding notes, may draw from the Bank its last sovereign. No stricter rule has ever been laid down, than that the Bank should contract its circulation with a drain of gold; yet we find that, in 1824, though the Bank, alarmed at first by the immense influx of foreign bills that poured in from every quarter, in consequence of the rising flood of speculation that was setting in upon the country, contracted its discounts;[1] yet when the directors, from a deep sense of the prevailing distress, adopted, in the face of an alarming drain of specie,—which diminished their stock, from February 1825 to February 1826, from £8,779,100 to £2,459,510,—the opposite and the more generous policy of increasing their circulation, within the same period, from £20,753,760 to £25,467,910, it was

[1] See Evidence taken before the Committee on the Bank of England Charter; examination of N. M. Rothschild, Esq. Question 4846, &c., 4897 to 4903.

followed by no injury to the Bank, while it materially contributed to the relief of commerce and to the restoration of credit. And this is another of those many examples in which men of prudence and sagacity, whatever abstract rules they may lay down, are forced to conform in practice to the existing emergency as it occurs.

There is no accounting for the fluctuations of commerce, from which the mass of specie that floats in the general market of the world receives its impulse and direction. Great Britain, however, has long been an entrepôt of the precious metals, which flowing in from the mining countries in exchange for manufactures, of which there is here a greater assortment than in any other country, are dispersed in smaller quantities over all the world. Before the commencement of the French war in 1793, gold and silver were exported from this country to Europe, and to other parts; and of late years still larger exportations have taken place. For ten years inclusive, from 1815 to 1825, gold was exported, according to the Custom-house accounts, to the amount of 2,809,594 ounces, equal in value to £10,948,417, and silver to the amount of 94,704,997 ounces, amounting in value to £27,352,498, and this exportation appears to be still continued. From 1837 to 1843 inclusive, gold was exported to the amount of 2,032,247 ounces, equal in value to £6,858,833; and silver to the amount of 87,555,117 ounces, equal in value to £24,077,656. The Custom-house takes no account of the import of the precious metals, being, according to the prejudices of that day, exempt from duty as a privileged article. It is only

from the exportation that we can collect any account of the importation. Until of late years, the trade of Great Britain with India required a constant exportation of specie, which appears to have occasioned no inconvenience, though in the present day an unfavourable exchange, and an export of specie, seems to be regarded as a great evil; and if the banks should happen to increase the circulation at the same time, they are on this account censured in the most unmeasured terms, however they may be all the while acting for the best interests of trade and the community at large.

Since the resumption of cash payments, the Bank has been engaged in several transactions with the government, as well as with other parties, which have been censured as deviations from its proper course of business, and as rather tending to encourage the spirit of commercial speculation.

I. In 1824, government were enabled, owing to the abundance of money and the low rate at which it could be obtained, to reduce the rate of interest on the 4 per cent. stock to 3½ per cent.; the holders being offered the payment of the principal in the event of their not consenting to the reduction of interest. The amount paid on this account was £5,000,000, which was advanced by the Bank between October and January 1835; and this transaction was supposed by some to have encouraged the spirit of speculation which was then begun, and which ended so fatally in 1825. An advance, however, was made to government for a similar purpose, when the 5 per cents. were reduced in 1823, without any inconve-

nience to trade; and how a different effect should have been produced by the same cause in 1824, or how an advance of £5,000,000 to the government, or to any other party, should have any tendency to derange the general commerce of the country, does not seem quite obvious, and has never been satisfactorily explained.

II. In 1833 the surplus funds which had accrued to the East India Company, on the winding up of their commercial concerns and the sale of their stock, was lent to the Bank at an interest of between 2 and 3 per cent., and lent out again by the Bank to brokers at a small profit. This sum, which appears to have amounted to between £10,000,000 and £11,000,000, was paid into the Bank as it was received, and repaid to the Company as it was required from 1834 to 1838, when these transactions were closed. This transaction of the Bank has also been called into question, as if it was of the smallest moment, since the money was to be lent, whether the Bank or the East India Company were the lenders.

III. The Bank has also been censured for the manner in which it aided the subscribers to the West India loan of £15,000,000, which was contracted for in August 1835, and on which the Bank declined to make the advances in the usual manner, namely, after the first and second instalments were paid by the subscribers, to advance the subsequent instalments. The directors on the 5th August, two days after the loan was contracted for, issued a notice that they would make advances at 3 per cent. on Exchequer bills, India bonds, six months' bills of Exchange, or

other approved securities; and to this facility of accommodation offered by the Bank, and the reduced rate of interest, has been ascribed the speculations and the panic which followed in 1835. Thus effects are mistaken for their causes. The reduction of the rate of interest was the consequence of the overflowing capital; which, as has already been explained, and not the intimation by the Bank, was the cause of the commercial speculations in 1835. The Bank, in reducing the rate of interest, only conformed to the market rate, which will still find its level independent of all control; and whether the Bank accommodated the subscribers to the West India loan, by making advances in the usual manner, or on the securities proposed, appears neither of importance to the general interests of trade, nor in any degree connected with or aiding the spirit of speculation that then prevailed.[1]

[1] Minutes of Evidence before Committee on Banks of Issue; Evidence of Mr Norman, Mr Page, Mr Horsley Palmer, and others.

CHAPTER XIV.

TRANSACTIONS OF THE BANK CONSIDERED IN REFERENCE TO ITS OWN SAFETY.

A drain of specie caused by an unfavourable exchange.—Slow and gradual.—Not dangerous to the bank.—A drain caused by panic.—Sudden and violent.—May endanger the credit of the bank.—Drain of specie in 1797.—Suspension of payments.—The bank released from its obligation to pay in specie.—Its consequences.—Drain of specie in 1825.—Danger of the bank.—Prohibition to issue one-pound notes.—Drain on the bank in 1835.—Restriction withdrawn on joint-stock banks in England.—Established in different parts.—Evils ascribed by Mr H. Palmer to the competition of rival banks imaginary.—The inutility of restricting their transactions.—The system of money-dealing that has arisen in this country not a proper subject of legislative interference.—State of the banks in the United States.

THE transactions of the Bank, which have hitherto been considered in reference to the general interests of commerce, claim a farther consideration as they affect its own safety and the interest of the shareholders.

The chief danger to which a national bank, such as the Bank of England, is exposed, is a drain of specie and a suspension of its cash payments; and this, owing to the great disproportion between its liabilities, consisting of its circulation and deposits, and its stock of bullion,—the one being often fourteen ot fifteen, in general not less than six or seven, and never less than three times the amount of the other. In February 1826 its liabilities amounted to £32,403,850, and the bullion only to £2,459,520; in

May 1832 they amounted respectively to £28,683,000 and to £5,809,000; in January 1833 to £34,363,000 and £10,065,000; in August 1839 to £26,316,000 and £2,471,000. A national bank, of which the notes are payable at sight, will always be exposed to a drain of its cash from a great foreign expenditure and an unfavourable exchange. But the drain from this cause is slow and gradual; and cannot endanger its credit where it has ample funds wherewith to purchase specie, and to recruit its decreasing stock. The exchange, as already stated, tends to correct itself; the profit on foreign bills encouraging the exportation either of goods or specie, by which the debt which depresses the exchange is discharged. It was this profit which indemnified the Bank for the large remittances of silver to Paris, in 1832, to the amount of £1,000,000; of specie to the amount of £500,000 in 1836; and of £2,900,000 in 1839. Gold is often in demand for many purposes. It is required, on the breaking out of a war, for the military chest of the armies which take the field; and it must be obtained at whatever cost. "Gold (says Mr Rothschild, in his instructive evidence before the Select Committee,) is wanted if there is a war; and in that case foreign governments will give 2 or 3 per cent. more or less for the gold, because they must have it. When the Emperor of Russia made war in Poland lately, gold, which went from Hamburg to Petersburg and Warsaw, was paying from 3 to 4 and 5 per cent. If 5 per cent. will not pay it, 10 per cent. will be given."[1] Specie to any amount

[1] See Report of the Select Committee on the Charter of the Bank of England; Minutes of Evidence, p. 283. Question 4808.

may always be obtained at the market price. The Bank of England being, however, a mercantile body, cannot squander its funds with the same profusion as a despotic sovereign in the prosecution of his ambitious projects. Its managers must, by watching the exchange, obtain specie at the cheapest rate; though, to avert a suspension of cash payments, it must no doubt be purchased at any price.

The drain of specie from domestic alarm is in all respects different from that which proceeds from an unfavourable exchange. Panic is in its own nature sudden; it does not allow the Bank a moment's respite to recruit its ebbing treasure; and it must, therefore, if it continue for any time, terminate in a suspension of cash payments. Such was the catastrophe which befell the Bank of England in 1797. To the slow and gradual demand arising from an unfavourable exchange, it had been exposed for more than a twelvemonth before; and though the directors were greatly alarmed by the loss of their treasure, and even intimated their fears that a farther advance to the Emperor of Germany would be fatal to the Bank, they appear to have expressed themselves thus strongly for the purpose of checking the minister in his lavish advances to foreign powers; since they stated afterwards, before the Lords' Committee, that they apprehended no serious danger before the 21st February, 1797:[1] for since, in the course of the three several years of 1794, 1795, and 1796, the foreign expenditure of the country amounted to rather more than £8,000,000, £11,000,000, and £10,000,000, without injuring the Bank beyond an inconvenient

[1] See Lords' Committee of Secrecy; Minutes of Evidence, p. 11.

and somewhat expensive drain of specie, the farther advance of £2,000,000 or even £3,000,000 could not have endangered its credit. The foreign drain on the Bank for the two previous years was gradual, and had been provided for; with some expense no doubt for specie, but with no farther evil; and it was not till the panic commenced at home that any serious danger arose: and then it was the sudden, extraordinary, and still increasing demand for specie, that brought on the fatal crisis. On Tuesday the 21st February, the directors of the Bank, alarmed by the increasing demands for gold, communicated to the Chancellor of the Exchequer the precise amount of their cash. In the course of the preceding week the drain had been greater than was ever before known; but from Tuesday the 21st it continued increasing with such alarming rapidity, that on the two last days of the week, namely, Friday and Saturday, it exceeded that of the four preceding days. This is the great and conclusive fact which points to the true cause of the fatal catastrophe. It was this vast and increasing demand —this tempest that was raging without—that finally swallowed up the resources of the Bank, which had reduced its treasure to £1,272,000, and which in its rapid increase would have quickly drained it of its last guinea. The suspension of cash payments, by an order in council, was, therefore, not a matter of choice, but of over-ruling necessity. No other alternative remained. All sudden and violent alarms are, however, in their nature of short duration; and the disclosure of a balance of above £15,000,000 in favour of this great company, the result of a parlia-

mentary inquiry into its affairs, quelled at once all suspicion and all farther alarm. This was the proper time for the resumption of cash payments; and its adjournment till six months after a definitive treaty of peace was a fatal error. The act, fixing the time for recommencing payments in specie, passed in 1819; and the period was anticipated by the Bank, which, with this view, had previously collected a large amount of treasure.

The release from the obligation of paying in specie was at first used with discretion. But in a short time this dangerous privilege was abused: the paper was issued in excess, and suffered a corresponding loss of value to the amount, in the course of eight or ten years, of between 20 and 30 per cent. This degradation of the currency was a dishonourable expedient,—an exception to the fair tenor of British policy, and the source of extensive disorder and injustice; its effect being to subvert all pecuniary contracts, first in favour of debtors by the depreciation of the currency, and afterwards in favour of creditors by its restoration to its former standard.

The commercial panic of 1825 was accompanied by a heavy drain on the Bank for specie, which had nearly caused a suspension of its payments. This drain commenced in February and April 1825, and kept pace with the alarming progress of the panic, until, in November and December, the credit of the Bank was seriously endangered. Mr Richards, one of the directors, speaking of the last week of its continuance, adds, "On Monday morning the storm began, and till Saturday night it raged with an intensity which it is impossible for me to describe;" when

on that evening, as Mr Richards states, "the tide receded," and turned from that moment.[1] In the meantime, this great money-dealing company never made the slightest pause. Gold was collected from all quarters to supply the growing demand; and the readiness with which it was met appears to have slaked the raging thirst for specie, and to have suddenly quieted the alarm. The paroxysm was too violent to last; it was a passing tornado succeeded by a dead calm. But the danger in these cases is, that the Bank may be taken at unawares, and overwhelmed by a demand for specie, before there is time to prepare for the crisis; and great fears were entertained by the directors of such a catastrophe, which they freely expressed to his Majesty's ministers. But they declined absolutely to sanction any

[1] See Minutes of Evidence taken before the Committee on the Bank of England Charter, Question 5005 to 5012. The account by Mr Richards, which is subjoined, describes fully the nature of this fearful panic.

"The Bank had taken a firm and deliberate resolution to make common cause with the country; and on Saturday night, it was my happiness, when I went up to the Cabinet, reeling with fatigue, to be able just to call out to my Lord Liverpool, and the members of his Majesty's government then present, that all was well. Then, in the following week, things began to get a little more steady; and on the 24th, what with the one pound notes that had gone out, and other things, people began to be satisfied; and then it was for the first time in a fortnight that those who had been busied in this terrible scene could recollect that they had families, who had some claim on their attention. It happened to me not to see my children that week." In answer to a question, whether he was apprehensive of the Bank not being able to continue its payments, he replied, "It looked exceedingly suspicious. Another such week, and the country could not have stood it; in my humble judgment, the Bank could not have stood it although we had gold coining."

discontinuance of cash payments: they advised rather to pay to the last sovereign; and their firmness saved the Bank from this fresh dishonour, and the country from the agitation that would have too surely followed. The drain at this time arose entirely from the alarm that prevailed both in London and in the country, and which was first excited by extensive insolvencies among the English banks. Those in the country resorted, in their distress, for aid to the Bank of England, the common repository of specie for the whole kingdom; where the demands, in whatever quarter they at first arise, are sure ultimately to centre; and it was by the concentration of this drain in the metropolis, that the credit of the Bank was now endangered, its specie having been reduced to little more than a million of sovereigns.

As a security to the Bank, against the recurrence of similar drains, the issue of one pound notes was at this time prohibited; and this prohibition would have been extended to Scotland, but for the firm and united remonstrances of the whole country against it. It was supposed that the panic and the drain of gold was chiefly confined to the holders of one pound notes, though it was stated in evidence, that gold was paid to individuals in sums varying from 100 to 1000 sovereigns, and to bankers in large sums weighed and put up in bags, in order to save time; and though it is certain, as it was stated by the ministers of that day, in a letter to the Governor of the Bank of England, that no former drain could have been caused by the one pound notes, since they were not issued during the crisis of 1793, nor on the still more alarming crisis of 1797; and, far-

ther, the abolition of these notes did not, as was expected, prevent the panic and the drain of 1832 and 1835, and the subsequent drain of 1839: so that it appears to have been an inefficient measure in England, and would have produced still more serious inconvenience if it had been rashly extended to the Scottish currency.

The demand on the Bank for specie was not nearly so great in 1835 as in 1825. It commenced early in 1834, when the bullion, which amounted to £10,142,000, was, in the end of 1836, reduced to £3,840,000. In 1837, bullion again flowed into the Bank. A drain commenced in 1838, by which, towards the end of 1839, the stock was reduced to £2,544,000. To those demands for specie the Bank will be always exposed from the fluctuations of trade. They proceed from no mismanagement of the currency; but from causes, as has already been fully stated, over which the Bank has no control. An artificial contraction of the circulation, for the purpose of checking the drain, while it would be hazardous to credit, would not add to the security of the Bank.

The commercial distress of 1825 was aggravated by insolvencies among the English banks, which, by their limitation to six partners, were restricted in their capital, and not so able, consequently, to answer the demands to which, during a commercial alarm, they will always be exposed. "The effect of this law," as is justly observed by Lord Liverpool, in his masterly letter to the Governor of the Bank of England, "is to permit every description of banking except that which is solid and secure." This restriction was accordingly withdrawn, and joint-stock banks, with large capitals

and a numerous proprietary, were permitted to be established sixty-five miles from London, and to issue their own notes. Against those establishments, which now arose in most of the commercial towns of England, an outcry was raised; as if the commercial embarrassments of the country were solely occasioned by the reckless issue of their paper. Mr H. Palmer, in his pamphlet on the currency, declaims against the competition of seventy-two banks, which in the short space of two years, he mentions, had been established in England and Wales, "with innumerable branches in almost every town throughout the kingdom;" and the competition in the issue of paper "that grew out of this excessive multiplication of banks," he seems to regard with deep alarm. This competition, however fraught with so much supposed evil in England, has existed for more than a century in Scotland, where there are about thirty banks, with branches all over the country; and where, so far from retarding, they are universally acknowledged to have eminently assisted, by their judicious distribution of capital, the progress of agriculture and commerce. It is a great error to suppose that competition in the issue of paper tends to excess. The check of immediate convertibility into specie is equally effectual on banks whether they be many or few. The exchange of notes which takes place between those rival establishments in the same district, once or twice in the week, secures the payment of whatever balance may be then due, in gold, Bank of England notes, or Exchequer bills; and thus affords a complete guarantee against any excess of issue.

The English joint-stock banks have, some of them,

mismanaged their affairs, while others have been charged with fraud. This has increased the outcry against them, as if the whole could be justly reproached for the misconduct of a few; and the necessity has been strongly urged of exacting security for their issues, and of subjecting them to a certain surveillance in the conduct of their affairs, and to other restraints. It has even been suggested, that the exclusive privilege of circulating notes should be vested in one central bank in the metropolis; of which impracticable scheme it seems, however, useless to discuss the merits, since it is next to certain it never will exist except on paper. Nor would it, besides, afford the expected security against commercial panics, which would occur again, as they have occurred before, even though the currency consisted of the precious metals. The object of these precautions is to guard against the risks to which paper currency is liable. But if paper has its risks, it has also its advantages; and exactly as the restraints add to the security, they curtail those advantages: so that the only alternative seems to be, either to take the one with the other, or, recurring at once to the use of the precious metals, to renounce the benefit of paper, and be free at the same time from the risk. But as the insolvency of a bank causes great local distress, and an alarm which, in a commercial country, may be contagious, its safety might be farther guaranteed, without its utility being impaired, if every joint-stock bank were bound to exhibit a certain amount of paid-up capital,—a million, we may suppose, or half a million,—and if a public assurance, founded on an official inquiry into its affairs, were given, that this capital still remained

entire after the payment of each successive dividend. If this fact were duly ascertained, which it might be, without interfering with the business of the bank, all risk of insolvency would be at end. A large paid-up capital, therefore, without the farther security of unlimited responsibility, is all that is wanted as a guarantee to the public, by which neither the transactions of the bank would be restricted, nor its utility impaired. It is on this solid foundation that the Scots banks have been raised, which no storms nor panics have ever shaken, and which at such times have proved the safeguards of public credit, not more by their known stability than by their prudent management; and there is no possible reason why banking may not in England, by the same prudence, be guarded against abuse. The inquiry of the different parliamentary committees into the principles of paper currency, and the transactions of the banks, which has brought before the public much valuable information, has also set afloat several theories which, if acted upon, would lead to injurious restraints on the business of banking. It is seldom that the great concerns of society can be forwarded by legislative interference; and when we consider what a complicated and factitious system of money-dealing has arisen in this country, which, spreading from London—the centre—over the whole kingdom, has been brought to its present perfection by long practice and increasing skill, aided by, and aiding a vast and an extending trade, we may well be startled at the boldness of the projector who would thrust his meddling hand into such delicate machinery; and who would not rather pause, and surveying in silent admiration so curious a creation, the spon-

taneous product of individual prudence, would not be startled with the fear, lest he might be meddling with what he might mar, and certainly could never mend. It is vain to imagine that any artificial restraints on the issue of paper, or on the business of banking, will afford a guarantee against commercial panics. These will occasionally arise, so long as a desire to make rich and to speculate actuates mankind, and so long as capital is accumulated to give wings to mercantile indiscretion.

It is no way surprising that several of the joint-stock banks, before they succeeded in tracing out the true path, should have stumbled in their way, and fallen. Experience will, however, in this as in other cases, teach its own lessons. The sagacious trader will not be repeatedly caught in the same snare. Practice will instruct him in the mysteries of banking, and the faults of inexperience will be avoided by matured skill. Let matters be left to the sagacity of dealers, and with the Bank of England—the centre of the system, a great reservoir of specie, a sure haven in time of alarm to which minor establishments will fly and find shelter—a sound system of banking will arise, which will supply the country with a currency of which the standard will be gold, and which, being guarded from abuse by practical skill and sound discretion, will prove an effectual substitute for coin, whether as a medium of exchange or as a measure of value.

The commercial embarrassments of America have, of late years, been greatly aggravated by the unsound

state and general insolvency of the banks. In no country has the use of paper extended more rapidly, or been issued in greater excess. In 1838, the number of banks throughout the Union amounted to between six and seven hundred; many of them established on a slender foundation of capital, or on funds altogether fictitious. Of these, the most important was the Bank of the United States, in Philadelphia, which possessed a capital of 35,000,000 dollars. It was incorporated in 1816 for twenty years. When its charter expired, the question of its renewal divided the American community into two great parties. At the head of one hostile to the bank, was General Jackson, the President, who proposed to dispense with paper currency altogether, and to collect the public revenue entirely in specie, to be laid up in vaults under the charge of public officers. This notion was, no doubt, quite consistent with his opposition to the renewal of the bank charter, or to the existence of a national bank. But it was not the less irrational and extravagant. It is certain that no change, even for the better, is without some attendant evil; and that paper currency, as well as every other improvement, has its inconveniences and hazards, as well as its advantages. But to part, on this account, with this cheap substitute for coin, would be as unwise as to renounce the benefits of navigation from the dread of shipwrecks, or of steam from the inevitable perils with which it is attended.

The bill for renewing the charter of the United States Bank, which was passed by Congress, was rejected by the President, in virtue of the veto which he possesses on all measures not sanctioned by two-

thirds of the legislative bodies; and in the same hostile spirit he gave direction, in 1833, for the removal of the government deposits to certain other banks. In thus discountenancing the great national bank of the United States with a large capital, and in giving encouragement to banks with a smaller capital, General Jackson acted on the principles of the English act, which limited the number of partners in a bank to six; which, as described by Lord Liverpool, was to disallow all that was sound and secure in banking, and to bring forward all that was unsound and dangerous. During the panic of 1836, all the American banks accordingly suspended their cash payments; and the country, as is remarked in a report on the State of New York laid before Congress, was flooded with every species of depreciated currency, to the general annoyance and loss of the people at large.

A national bank, such as the Bank of England, situated in the metropolis, the great emporium of the national commerce, and the centre of all cash transactions, and resting on the solid foundation of its large capital, is calculated to give coherence and unity to the whole system. It is the general repository of specie to which the minor banks fly for support in time of need: it assists mercantile distress that arises not from a want of property, but from a want of cash, and by this seasonable aid quells an incipient alarm. Numerous banks, on the other hand, scattered over the country without any connecting link or a commanding capital, have no power to assuage a rising panic or scarcity of cash. Property may abound, but there may be no stock of gold into which it can be converted; and all the banks may,

therefore, be involved in one common calamity, as was the case in the United States in 1837, and since in 1839, when the great American Bank, with its capital of 35,000,000 of dollars, was, by its ruinous speculations and general mismanagement, compelled to suspend its payments, and was followed by almost all the other lesser banks in the country. Great confusion followed this insolvency, which, setting afloat the currency from the sure anchorage of gold and silver, left no fixed standard of value. The respective currencies of the different States were in consequence depreciated more or less, and coin exchanged for paper at a premium varying downwards from 20 per cent., by which the commerce and cash transactions between different parts were seriously impeded. What a contrast does the steady value of the British currency present to this continually-recurring evil of suspended payments and a depreciated standard! The bankers in Great Britain carry high the point of mercantile honour; and the slightest delay in paying, far less the actual dishonour of any draft or bill by a bank, would seal its ruin. 'In America, the case is different.' The reckless issue of paper accommodates the merchants in their rash speculations, while they, depending on the indulgence of the banks, are indulgent in their turn. This mutual dependence seems to relax the strictness of mercantile engagements; and the banks, taking the advantage, too easily resort, in their difficulties, to a suspension of cash payments, and thus inflict an incurable wound on credit. Yet Congress, and the legislatures of the different States, have passed the most stringent acts for the regulation

and control of the banks, which have all been either evaded or disregarded; thus proving the impolicy, as well as the futility, of those legislative restraints on the business of banking.

CHAPTER XV.

OF EXCHANGEABLE VALUE.

Scarcity the source and measure of exchangeable value.—No article, of which the supply exceeds the demand, can have any value in exchange.—Water an example.—Scarcity would give value to water, as to corn.—Price of articles high exactly as they are scarce. —This principle regulates wages, profits, and rent.—No article, the produce of labour and capital, can rise above the common level of profit.—The produce of land not liable to this restriction.—The price of corn may rise higher, though it cannot fall lower.—Principle on which the price of corn is determined.—Doctrine of Mr Malthus, of Ricardo, of M'Culloch, considered.—Rent yielded by other sorts of rude produce.—Market price of such articles not dependent on their original cost.—Increase of expense not followed by a rise of price.—Conclusions of Mr Ricardo, from his doctrine of rent, considered.

It is obvious, that the quantity of any commodity consumed cannot for any length of time exceed the quantity produced, as it is equally certain that the supply will not long exceed the consumption; and if, for short periods, accidental causes should derange this just equilibrium, it is quickly restored by a higher or a lower price. An excess of the supply is followed

by a lower price, which increases the consumption; and an excess of the consumption occasions a rise of price, by which consumption is checked. When the demand or the consumption, and the supply, are exactly equal, the price is then at rest; but it cannot rest anywhere else. It cannot rest either when the consumption is greater than the supply, or the supply than the consumption; as it must in the one case be raised by the competition of the buyers, and lowered in the other by the competition of the sellers. The demand and the supply are like equal weights in opposite scales, which are never at rest until they come to an even balance. That price, therefore, by which they are brought to an equality, is the natural price—the point to which the price continually tends amid all its variations; to which, as is well expressed by Dr Smith, it perpetually gravitates, as to a centre of continuance and repose.

No commodity, of which the supply exceeds the demand, can have any value in exchange. However useful or necessary it may be, and in however great demand, it will never bear any price unless it be scarce, *i. e.*, unless the demand for it exceed the supply. Water is equally necessary with corn for the support of man; yet it bears no price: it has, owing to the superabundance in which nature supplies it, no value in exchange. But if the supply of water had been equally scarce with that of corn, there is no reason why it should not have been sold at the same price. There is no reason why the competition of the buyers, which fixes a price on other articles, should not have also fixed a price on water. Even though it might

cost no labour to obtain the water, yet if it were scarce, if there were a greater demand for water than could be supplied, a price would immediately follow; since there is no other mode of bringing about the necessary equality between the demand and the supply. Scarcity, therefore, or the excess of the demand above the supply, is the true origin, as well as the true measure of all exchangeable value. No article which is not scarce can have any value in exchange; and exactly in proportion to its scarcity, or to the excess of the demand above the supply, will its value be. If we suppose the demand to be 100, and the supply 200, there will be no price. The article, however necessary, will possess no value in exchange. If we suppose the demand to be 105 and the supply 100, a price will then be necessary, in order to confine the consumption within the limits of the supply; and if the demand rise to 110, a still higher price will be necessary. If the demand for different articles be 120, 130, or 140, while the supply is only 100, their prices will vary proportionably, and will stand at different levels, exactly according to the scarcity of each.

It is the principle here laid down which determines the price of all articles, which fixes the rate of wages, the rate of profit, the rent of land, of mines, of fisheries, and of every other species of produce. The price of labour, like that of every other article, depends on its plenty or scarcity in the market; and the rate of profit on the plenty or scarcity of capital. The rate of wages, however, and of profit being once fixed, the price of all articles which are produced by

labour and capital, must sooner or later conform to the general standard. No article can permanently rise above the common level. If any branch of industry yielded a greater profit than another, it would draw capital from those other employments until the inequality were reduced. In exchanging or selling such articles, we, in fact, exchange or sell labour and capital; and equal portions of these must always exchange for each other, or be of the same value. The labour and capital employed in their production must be the measure of their exchangeable value. An article which is produced by ten days' labour and a capital of £100, will always exchange or be of the same value as another article which is produced by the same quantity of labour and capital; or, if it be produced by five days' labour and a capital of £200, its value must still depend on the same principle—we still exchange the same things for each other, namely, labour and capital, though in different quantities and variously combined: and this proposition, which is the foundation of Mr Ricardo's theories, is as clear, and an equally barren truth generating no conclusion, as that one quarter of corn must be of the same value as another quarter of corn, or one sovereign of the same value as another of the same weight and fineness.

But though all articles containing equal portions of labour and capital must be of the same value, though their price can never be more than is sufficient to repay the wages of the labour and the profits of the stock necessary to produce them, it does not follow that every other sort of produce, of land for

example, should be liable to the same restriction in its price. Here, if we may so speak, we enter upon a new territory, and come under the jurisdiction of a different principle. The price of every article must indeed be sufficient to pay the expenses of its production, otherwise it will not be produced. The produce of land must always rise to such a price as will repay the wages of the labour and the profits of the stock employed in raising it. This is the lower limit of price, below which neither corn, nor any article the produce of labour and capital, can permanently fall. But it may rise above it for any time, and to any amount; the scarcity of the article being the only measure of its price. In no case, as has been already remarked, can the consumption of any commodity permanently exceed the supply; and it is only by means of the price that the consumption and the supply can be brought to an equality. Now, the price necessary to bring about this equality between the consumption and the supply of certain articles, the produce of land, is always so high as to yield a surplus above wages and profit. Corn always rises to this high price; out of which, after paying wages and profit, a surplus remains, which goes to the landlord under the name of rent. This high price is not the cost of its production; it is the measure of its scarcity; the exact index to the excess of the demand above the supply. As land only yields its produce once in the year, it is necessary, for the support of mankind, that the supply of one year should last until a new supply be procured; and, accordingly, the supply, however defi-

cient, always lasts until the produce of the next harvest is in the market: a striking proof of the complete control of the price over the consumption. If we suppose one sixth part of the produce of the year to be wanting, it would be consumed, at the ordinary rate, in ten in place of twelve months, and famine would depopulate the land. But no scarcity ever produces this effect. There is no greater want at the end than at the beginning of the season. The deficient supply is never consumed until a new supply be ready for use; and this effect is produced by the operation of a higher price, which forces the great body of the consumers to use corn more sparingly, and thus averts the calamity of absolute want. The ship is victualled for ten months, and it has a twelvemonth's voyage to perform; and the crew are put on short allowance, not, however, by the foresight of man, but by the operation of causes over which he has no control. The price rises until it enforce the necessary economy in the use of the supply, and it cannot rise higher. Corn would be placed, by a higher price, beyond the reach of the great body of the consumers, and the supply, deficient though it might be, could not be consumed; while, at a lower price, it would be consumed before a new supply could be procured. The dominion of the price over the supply is entire and absolute. It is, if we may so speak, the outlet through which the supply flows for the daily use of the community; and we enlarge or contract this outlet, exactly as we lower or raise the price. Thus it is that, by means of the price, the

supply is regulated; and that price which duly proportions the daily or weekly consumption to the supply of the year, is the natural or necessary price. The expense of production cannot here weigh a feather in the balance of price. It affords no principle by which it can be regulated. Whatever may have been the original cost of corn; though all the lands from which it is produced were equally fertile; though it were even the spontaneous produce of the fruitful earth, and cost nothing, the consumption must still be brought, and in point of fact is always brought, within the limits of the supply; and this is accomplished, and can only be accomplished, by a rise of price. But the price which it costs to raise corn, might not, by any means, be the price which would effect this object: it might be too high, when the supply would be placed out of the reach of the great body of the consumers; or it might be too low, when the consumption would go on too quickly, and the supply might be consumed before the next supply could be obtained. It is by a higher or lower price only, that these evils can be averted; for there exists no other agency by which the consumption can be controlled. It is entirely to this principle that all the fluctuations of the market are to be traced; it is the master-spring that sets in motion all the machinery of price: and the great and necessary object of regulating the consumption being once attained, the profit or the rent of the landed proprietor, and the extent to which cultivation is carried, follow as incidental consequences of the high price,

though they have no share in producing it. And this law, which regulates the price of corn, is constant and uniform in its operation; it lies deep in the very frame of society. If it settle the price one year, it must settle it every year: for it applies to every possible case that can occur, whether of plenty or of scarcity. The moment the supply is brought into the market, no matter whether from rich or poor lands, it begins to operate; and its operation never ceases until it be wholly consumed. A high price of corn is no doubt a standing encouragement to an increased supply. But corn being the food of mankind, the demand for it always increases faster than it can be supplied. Mr Malthus has explained, with equal clearness and originality, that great law by which mankind increase faster than food can be provided for them: and hence the continual and increasing demand for corn. The supply may increase; but if, from the rapid increase of inhabitants, the demand increase still faster, the price cannot fall: it must still remain at the point necessary to restrict this increasing and keen demand within the limits of the supply.

On this subject, Mr Malthus, by whom indeed the doctrine was first stated,[1] Mr Ricardo and Mr M'Culloch have adopted a different theory. They maintain that the price of corn is regulated by the expense of its production on the poorest lands. In every unoccupied country there are large tracts of fertile and unappropriated land, for which no rent is paid; on the same principle, according to this doctrine, that we do not pay for air and water because

[1] See "An Inquiry into the Nature and Progress of Rent," p. 36.

of its plenty. But when, from the progress of population, this fruitful land can no longer supply the increasing demand for food, recourse is had to inferior soils, on which it costs more labour and expense to raise corn; and it is maintained that the price must rise in order to pay this increased expense. But the corn which is raised on the fruitful and first cultivated soils, though at less expense, will, nevertheless, be sold at the same price: as there cannot be two prices for corn of the same quality. If corn be produced at an expense of 20s. on the better, and 50s. on the inferior soils, a surplus or rent of 30s. will remain to the proprietor of the best lands after paying wages and profits. The high price of corn, therefore, which leaves a surplus after paying wages and profit, arises, according to this theory, from the expense of cultivating the inferior lands; this is the measure of its price, and it is the difference of producing it on the fruitful and on the inferior lands that constitutes rent.

In a country which overflows with capital, there is no doubt that cultivation will be extended to lands which afford no return beyond that of wages and profit. It may be even carried farther, and a scanty produce extorted from the most barren spots. But the price will not necessarily rise to the level of this expensive cultivation. As the daily, weekly, and monthly consumption of corn must be proportioned to the supply of the year; and as it is only by a higher or a lower price that this can be effected; it is clear that corn must rise to this price, and that it cannot rise higher, whatever be the cost of its pro-

duction. It is not, therefore, the expense of cultivating inferior lands that is the cause of this high price; but, on the contrary, it is the high price that is the cause of this extended cultivation. It is the price which fixes the boundary of cultivation; but it is not the extent of cultivation or the expense of production which fixes or limits the price. It is to the current prices that the farmer looks for his profit in cultivating new lands; for he will not enter on such schemes on the notion, that because it costs him more to produce corn, he will, therefore, be able to sell it for more. He must be assured of his profit by a prior rise of price; and it is this price which, according to Mr Ricardo's theory, extends cultivation downward to the inferior lands: for, without such a price, they would be allowed to lie waste. But this extension of cultivation to inferior lands cannot be both the effect and the cause of high price. If it be a prior rise of price that extends cultivation to those lands, this rise of price is clearly the cause, and extended cultivation the effect. Philosophers have defined cause and effect to be an invariable sequence. But Mr Ricardo's theory reverses this natural order of things, and places the effect before the cause. That which takes place first, namely, the rise of price, he calls the effect; and that which takes place last, namely extended cultivation, the cause. Farther, the price rises, according to his hypothesis, and extends cultivation to the poorer lands. Now, the same principle which fixes the price before, must also fix it after the supply is obtained from those lands. It must still be regulated

by the plenty or scarcity of corn in the market, which is the supreme arbiter of the price, and not by the expense of cultivation on poor lands. If we trace the price to this simple principle, namely, to the plenty or scarcity in the market, and consider the cultivation of poor lands to be the effect and not the cause of the high price, we have a very easy and simple explanation of the subject, and avoid all that perplexity which we fall into by inverting this natural order of things.

According to the theory of Mr Ricardo, the price of corn must continually rise with the progress of cultivation. But we have no account of this continued rise of price in any country. On the contrary, as Dr Smith states, the price was lower during the first sixty-four years of the last than during the first sixty-four years of the preceding century. "This fact," he observes, "is attested, not only by the accounts of the Windsor market, but by the public fiars of all the different counties in Scotland; and by the accounts of several different markets in France, which have been collected with great diligence by M. Messance, and by M. Dupre de St Maur. The evidence is more complete than could have been expected in a matter that is naturally so difficult to be ascertained." From this time, and especially from the year 1794 to about the year 1820, the price of corn was extremely high. It was in 1800 and 1801 at 120s. per quarter, often at 70s., 80s., and 90s. Agriculture made great progress, and new tracts of land were everywhere improved. This extensive cultivation would, according to Mr Ricardo, cause

the price to rise as the cost of production increased; and thus he would connect high price with an increasing supply, and a low price with a diminishing supply: for by throwing the inferior lands out of cultivation, we diminish the supply, and diminish also the expense of production, and consequently the price. Since 1820, the former high prices of corn have been succeeded by low prices; and in the meantime cultivation has still extended. But if the price of corn were regulated by the expense of its production, this extended cultivation ought to have occasioned a rise and not a fall of price; so that this theory, the more it is considered, appears the more inconsistent with principle and the plainest facts. It is not by a continual rise of prices that cultivation is extended in any country. The price of corn, as has already been explained, can never be measured by the barrenness or fertility of the lands from which it is raised. It may not be possible to cultivate certain lands at the existing prices; but the price will not, therefore, rise to the level of those barren lands. The price that would be necessary to pay for this expensive cultivation would check the progress of population; at so high a price the produce could not be consumed. It would be placed without the reach of the great body of the consumers; to whose level, at whatever expense it may have been produced, it must of necessity be brought by a lower price. It is by other causes, therefore, that cultivation is gradually extended in every country; namely, by more skilful modes of husbandry, an increasing capital, and growing habits of industry, by which

the most fertile tracts that in a ruder age were allowed to lie waste, are improved; and so far from prices rising in consequence, they always decline as cultivation is extended.

There are many other sorts of rude produce which yield a surplus above wages and profits; and in all these cases, it is still the same principle,—namely, the degree of scarcity in which they are produced, and not the cost of production, which determines the price. The fine vineyards of France yield many of them even a higher rent than corn lands. The price of their produce stands at a higher level. After paying wages and profits, it leaves a larger surplus for the landlord's rent; and this high price is not the cost of production; it is, as in all other cases, the price necessary to proportion the consumption to the supply. At a lower price the demand would be greater than could be supplied; and the price rises until it is checked, and brought within the limits of the supply. Mines of metals or of other mineral substances generally afford a rent. Mr Ricardo, true to his theory, holds, that the price or the value of gold and silver is determined by the expense of extracting them from the poorest mine; and hence, as mining speculations are carried to a greater extent, as poorer mines are worked, and as a greater quantity of produce is of course extracted, the higher will be the price; and thus, according to this doctrine, the price, as in the case of corn, would rise as the supply increased, and would fall as it was diminished: it would decrease as the poorer mines were abandoned, and it would increase as they were again

worked. Hence, a large supply and a high price, and a small supply and a low price, are conclusions fairly deducible from Mr Ricardo's theory. On the principle, too, that the price of gold is regulated by the expense of procuring it from the poorest mine, it should rise still higher, if still poorer mines were resorted to; and not the plenty or scarcity of the article, therefore, but the length to which rash projectors carried their mining speculations would be the measure of its price. It is certain that the consumption of the precious metals cannot, for any length of time, exceed the supply; and it is only by means of the price that they are brought to an equality. At a certain price a given quantity only can be consumed. If the price of gold and silver were too high, they would accumulate in the markets until it fell to its just level. If it were too low, the consumption would exceed the supply, until it was restricted within its just limits by a higher price; and thus we still find the necessity of proportioning the consumption to the supply to be the great principle which regulates the price. A higher price would no doubt prompt a more active search after gold, and a resort perhaps to poorer mines, of which the produce would hardly pay the expense of producing it. But the expense of extracting gold from those poorer mines could not be the cause of this high price, which, by the hypothesis, rises first; and is not, therefore, the effect, but the cause of the opening of those poorer mines; just as, in the case of corn, a prior rise of price is ever, according to the hypothesis, the cause of extended cultivation. A salmon fishery

yields a large rent; and this rent greatly increased, after it was found that salmon packed in ice might be sent fresh to London. This improvement extended the market, and increased the demand; there was no increase in the expense of production; it was the increased competition of the buyers which raised the price. At a lower price, a greater quantity of the article would have been consumed than could have been supplied; and a higher price was necessary to bring the consumption within the limits of the supply. A large surplus profit is frequently derived from secrets in manufactures, far exceeding the ordinary profits of stock; and the reason is not, as Dr Smith supposes, that a high price is paid for the private labour of the manufacturer, but because the demand is great and the supply small; and a high price is necessary to reduce the one within the limits of the other. There are other branches of industry in which the labour and capital employed afford a large surplus above wages and profit. A well-employed newspaper affords this surplus. The capital employed bears no proportion to the profit gained. A newspaper is an established channel through which mercantile communications are made to the public. It is a species of toll-bar, through which certain sorts of goods pass in their progress to the market, and on which the keeper levies a tax,—not the lowest which he can afford to take, but the highest which the public can afford to pay. At a higher price the commodity would not be in demand: so that it is still the same principle which regulates the price.

In all cases where an article yields a rent or a sur-

plus above wages and profit, its price is independent of the original cost: consequently, an increase or a decrease in the expense of production will occasion not a rise or a fall of price, but a fall or a rise of rent. Rent, or the surplus above wages and profit, is the fund out of which the increased expense of production is defrayed; it is not the price which is raised, but it is this surplus which is diminished. It is this surplus which is affected by every variation in the expense of production; and until it be exhausted, no increase in the original cost can add anything to the market price. Though the expense of producing it be increased, its price will not rise; nor, though it be produced cheaper, will it therefore fall. Hence the effect of all improvements in agriculture which lessen the cost of production: the application of new manures to the soil, such as lime or bone manure, or cheaper modes of reaping or preparing the corn by the thrashing-machine, do not diminish the price, but increase the rent. A lower price would not accurately adjust the consumption to the supply; and the produce of one year might be consumed before that of another could be procured. The price, therefore, cannot vary with the expense of production; and it is the rent only which rises or falls with this expense. The tithes and the poor-rates in England, both so justly complained of, and now in some degree corrected, are paid out of the rent. They diminish the surplus belonging to the landlord; but they do not increase the price, no more than taxes or any of the peculiar burdens imposed on the land, all of which are paid out of the rent. The property

tax which was imposed in this country during the last war with France, and a small proportion of which was re-imposed in 1842, pressed with peculiar severity on the land. It amounted to a tenth of the landlord's rent, and a tenth also of the tenant's income, which was estimated by a rigid rule at half, or two-thirds of the rent; and hence was often far beyond the real profit. This heavy tax fell on the tenant without redress during the currency of his lease; but at its renewal, it was added by the tenant to the other burdens on the land, and deducted from the rent. Both taxes, therefore, his own as well as the tenant's tax, fell ultimately on the proprietor, who could not obtain redress by raising the price, that being already fixed by another cause beyond his control, namely, by the relation between the demand and the supply.

Mr Ricardo deduces from the principle which he lays down, namely, that labour is the only true measure of exchangeable value, doctrines that are new certainly, but not on this account either original or sound. In explaining this proposition, as it is modified in the progress of society, and by the accumulation of capital, he enters into details of figures, which are sufficiently laborious and intricate, without, however, being conclusive. He supposes numerous cases in which labour and capital, and fixed and circulating capital, are differently combined; which, as they are essentially the same in principle, though somewhat varied in the terms, lead to no conclusion that is of any importance. He brings forward, among other cases, that of a hunter and a fisherman employing,

the former, a circulating capital of £50, and a fixed capital, lasting for ten years, of £150; the latter, a circulating capital of £150, and a fixed capital of £50. He supposes the rate of wages to rise 6 per cent., which would increase the sum required by the hunter to pay the labour which he employs £3, and the sum required by the fisherman £9. He farther supposes that profits would fall 4 per cent. in consequence of the rise of wages; and he proceeds to calculate how this rise in the rate of wages and fall of profits would affect the different articles produced by the hunter and the fisherman. But why, it may be asked, should profits fall when wages rise? and why should not both the hunter and the fisherman be indemnified for the rise of wages which they pay, by a rise in the price of the articles which they produce? There is no reason why the profits of either party should fall when they can be both indemnified by a suitable rise of prices. The original cost of all articles which are produced by labour and capital, is made up of wages and profit; and a rise in the rate of either, must occasion a suitable rise of price. No reason can possibly be given, if an increase of original cost from any other cause occasion a higher price, why the same effect should not also follow from a rise of wages. A rise in the price of the raw material, the imposition of a tax which increases the original cost, raises the price; and can there be any reason why the same cause, proceeding from a rise of wages, should not produce the same effect? Nor has the rate of profit any necessary connexion with the rise or fall of wages. It depends on the supply of capital in the

money market. It will fall as the supply increases, and will rise as it diminishes. But it cannot rise or fall from any other cause. There are, besides, many articles, the value of which is made up chiefly of labour, and of which the price must rise with every rise of wages; otherwise, the maker must sell them at less than they cost him, as the whole profit on the capital employed in producing them would be absorbed by a very inconsiderable increase of wages: it would not afford a sufficient fund wherewith to compensate him for his increased outlay.

Of the numerous other cases which Mr Ricardo has brought forward in illustration of his doctrines, it may be remarked, that the price of all the different articles which are produced by labour and capital, must depend on the amount employed in their pro-[illegible]. However variously combined, it is still the labour and the capital which are exchanged against each other, in however different quantities, that must be the measure of their exchangeable value; and Mr Ricardo's different cases, when divested of the complication of figures in which they are wrapt up, supply no other data from which any conclusion can be drawn important to science. After laying down his proposition, that a rise of wages occasions a fall of profits, and a fall in the price of certain articles, Mr Ricardo proceeds, without more ado, as if this were a self-evident axiom, to trace its effects on the prices of different articles, the produce of labour and capital, and of fixed and circulating capital. But his calculations appear to proceed generally on a *petitio principii*, and to prove nothing farther than

that the prices of articles are differently affected by a rise in the rate of wages, according as they are either the produce of labour or the produce of capital: a proposition which few will probably be disposed to controvert.

It is unnecessary, however, to enter farther into that labyrinth of obscure reasoning by which Mr Ricardo follows out his doctrines to their remote consequences. If we disprove the principle on which he has founded his system, his conclusions, however logically drawn, must fall to the ground with the original error. His work evinces a mind acute, subtle, and argumentative; less inclined, however, to the perspicuous conclusions of comprehensive reason than to wire-drawn theories, in the demonstration of which his perseverance is unwearied. But his argument generally fails to convince. It is rather an ingenious puzzle; a task for the understanding to unravel; often a skilfully disguised fallacy, on which the acute and intelligent author raises a laborious superstructure of reasoning, which, however correctly deduced, cannot, if it be founded on a wrong principle, as it has been our endeavour to show, lead to any sound conclusion.

THE END.

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